

# Farm Credit Administration

1501 Farm Credit Drive  
McLean, Virginia 22102-5090  
(703) 883-4000

---

## INFORMATIONAL MEMORANDUM



July 7, 2015

To: Chair, Board of Directors  
Chief Executive Officer  
All Farm Credit System Institutions

From: Kenneth A. Spearman  
Board Chairman and CEO

A handwritten signature in black ink that reads 'Kenneth Spearman'. The signature is written in a cursive style with a long horizontal stroke at the end.

Subject: Safety and Soundness of the Farm Credit System

As discussed in my March 31 letter, my foremost priority as FCA Board Chairman and CEO is maintaining the safety and soundness of the Farm Credit System. A key component of this priority is ensuring System institutions have effective internal controls. Events inside and outside the System over the past decade reveal the importance of internal controls and the significant consequences when these vital processes are not sufficiently robust. As you know, our regulations require each board of directors to establish an internal control policy to provide for the establishment of effective controls in the institution. Further, our regulations assign the board's audit committee the primary responsibility for overseeing, at the highest level, an institution's internal controls.

FCA has recently initiated several projects focused on a more comprehensive evaluation of an institution's internal controls. This includes a review of our regulations, examination processes and guidance, internal training, and guidance to the System. As indicated in our recent Regulatory Plan and agenda, the Agency is reviewing the subject and may consider rulemakings that clarify expectations for an institution's internal controls.

In addition, FCA's Office of Examination recently implemented several new examination procedures on specific aspects of internal controls. We have also taken the opportunity to present information and guidance on this topic at System meetings and conferences and will continue to do so. You can anticipate more communications from us on these topics in the coming months, starting with an Informational Memorandum on Whistleblower Programs.

Meanwhile, I urge you and your audit committees to focus on ensuring that your institution has sound preventive and detective internal control mechanisms that function effectively. Please consider the forthcoming guidance and use this opportunity to address any weaknesses you may find.