Date March 31, 2025

Autumn R. Agans, Deputy Director Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Response to Proposed Rule – Internal Control Over Financial Reporting, Farm Credit Administration, Agency; 12 CFR 62012 CFR 630; 89 FR 94615: RIN 3052-AD56

Dear Ms. Agans:

AgCountry Farm Credit Services ("AgCountry") appreciates the opportunity to comment on the Farm Credit Administration's (the "FCA") proposed rule on Internal Control over Financial Reporting (ICFR) that was published in the Federal Register on November 29, 2024.

We fully support and endorse the formal response to the proposed rule that was provided by the Farm Credit Council (the "FCC") and the Internal Control over Financial Reporting Work Group (the "Work Group Response"). AgCountry incorporates the comments from the Work Group Response into this letter.

AgCountry is submitting a separate letter to emphasize our concerns over the proposed rule.
Based on our review of the proposed rule, AgCountry respectively requests that the proposed rule be withdrawn for the following reasons:

1. Integrated audits do not address all risks discussed in the proposed rule, namely:
    - concentration risk, undetected errors, and fraud.
2. District Banks and the Funding Corporation currently receive integrated audits.
3. Robust procedures over ICFR already exist at AgCountry and our funding bank.
4. The ICFR Work Group has been in place and active for many years.
5. Associations have General Financing Agreements ("GFAs") with their District Bank mandating specific ICFR documentation be maintained and submitted semi-annually to their District Bank for a "program-level" ICFR review.
6. Annually, the external auditor performs additional ICFR procedures at the largest entities and the remaining entities are on a minimum three-year rotation. AgCountry is subject to additional procedures each year.
7. AgCountry has matured our ICFR programs by utilizing ICFR Work Group materials and training.
8. AgCountry also participates in the PwC annual planning conference, pursues continuing education regarding controls and provides training to association staff.

9. Increased costs reduce earnings without a corresponding benefit to our member-borrowers or investors and can impact the cost of borrowing and/or patronage paid to member-borrowers.
10. Resources would be diverted from the System's mission to serve agriculture and rural America.
11. As a condition of a prior merger, AgCountry was required to receive an integrated audit from 2019 through 2021, a period of three years. AgCountry's ICFR program remains strong without the integrated audit requirement; the association has never had a significant deficiency or material weakness in any given audit period.

We propose that instead of implementing a new integrated audit requirement that would divert attention away from the mission without addressing the stated risks of concentration and losses for Farm Credit System Insurance Corporation (FCSICs) Insurance Fund, the FCA should consider working with the System to develop guidance that solidifies consistency in the design and implementation of ICFR across all System institutions and have more impact than the requirements of the proposed rule.

We believe that the FCA's concern related to concentration risk within the System is addressed by the requirements of the System's integrated audit opinion. The FCA could develop guidance which outlines the System's integrated audit opinion. The FCA could more effectively increase consistency of ICFR programs within the System through guidance for ICFR programs at each Association rather than requiring costly integrated audits at a few institutions.

AgCountry also requests clarification of the following points:

1. What inconsistencies are the FCA referring to in ICFR practice? We believe the likelihood of inconsistencies in the process is minimal given the majority of the System institutions use a single auditor for the financial statement audits (approximately 98% of System assets) and the System obtains an integrated audit at the combined level as well as each System Bank.
2. How does the FCA plan to address fluctuations in assets or direct loans regarding the requirement to obtain an integrated audit?
3. Are there examples of different controls and/or different details an attestation report would cover, which are not covered by the current requirements for management's assessment?
4. Material Weakness has a specific definition within ICFR and integrated audits. FCA exams and reviews cover many areas that are not covered by ICFR. Does the regulator plan to only require an integrated audit if the area of weakness is within the scope of ICFR or for other purposes? Within this same section, the proposed regulation states "Other developments have occurred…that could adversely impact, or result in changes to, the Association's ICFR." This too needs to be further defined as this is very broad and open ended. The application of this clause could be applied vastly differently by different examiners and may not warrant an integrated audit opinion. The following are several related questions:
    a. How does the FCA view an ICFR material weakness as a safety and soundness issue? Public companies can have a material weakness in financial reporting which is not considered to be a safety and soundness issue.
    b. What will be the FCA's expectation if during the three years before the attestation is required, the Association falls below the thresholds outlined in the proposed rule?
    c. Would a merger of Associations constitute a "significant" change and require an integrated audit opinion even if the merged Association is under the thresholds set forth in the proposed rule? Also, within this section, the regulation states "…or are expected to occur…". It does not appear appropriate to require an integrated audit opinion on an Association for the possibility of a problem. We would ask the FCA to define "significant" changes to provide clarity on expectations.

d. Lastly, section 620.3 currently uses “material” changes, but this revision uses significant. Does the FCA plan to interpret these terms differently? The terms material and significant have specific meanings within ICFR and should be aligned within this proposed regulation. Further, FCA examiners are not typically certified in accounting – will FCA be engaging CPAs to make this material and significant weakness determinations?

We respectfully request FCA withdraw the proposed amendments to FCA Regulation Section 620.3. We believe the combination of procedures performed by the external auditor, the semi-annual ICFR review by AgriBank, and management’s demonstrated commitment to ICFR are sufficient to provide our Board members, customers, and System investors comfort over safety and soundness at both AgCountry and within the System.

Sincerely,

Lynn Pietig, Board Chair
AgCountry Farm Credit Services, ACA

Suzanne Allen
Chairperson of the Audit Committee
AgCountry Farm Credit Services, ACA

Mark Jensen
President and Chief Executive Officer
AgCountry Farm Credit Services, ACA

Jon Peterson
Executive Vice President and Chief Financial Officer
AgCountry Farm Credit Services, ACA