



NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

September 13, 2019

Ms. Wendy R. Laguarda, Inspector General
Farm Credit Administration
Office of Inspector General
1501 Farm Credit Drive
McLean, VA 22102

Subject: External Peer Review on the Farm Credit Administration Office of Inspector
General Audit Organization

Dear Ms. Laguarda,

Attached is the External Peer Review Report on the Farm Credit Administration (FCA) Office of Inspector General (OIG) audit organization. We conducted the external peer review in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.

We have included your response to our draft report as Enclosure 2.

We appreciate the cooperation and courtesies extended by you and your staff during the review.

Sincerely,

Laura Davis
Inspector General

Attachment



System Review Report

September 13, 2019

Ms. Wendy R. Laguarda, Inspector General
Farm Credit Administration
Office of Inspector General
1501 Farm Credit Drive
McLean, VA 22102

Dear Ms. Laguarda,

We have reviewed the system of quality control for the audit organization of Farm Credit Administration (FCA) Office of Inspector General (OIG) in effect for the year ended March 31, 2019. A system of quality control encompasses FCA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. The FCA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the FCA OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and FCA OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed FCA OIG personnel and obtained an understanding of the nature of the FCA OIG audit organization, and the design of FCA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with FCA OIG's system of quality control. The audits selected represented a reasonable cross-section of the FCA OIG audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with FCA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the FCA OIG audit organization. In addition, we tested compliance with the FCA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the FCA OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system of quality control may occur and not be detected.

Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the FCA OIG office that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of the FCA OIG in effect for the year ended March 31, 2019, has been suitably designed and complied with to provide FCA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The FCA OIG has received an External Peer Review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to FCA OIG's monitoring of audits performed by independent public accountants (IPAs) under contract where the IPA served as the principal auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the FCA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on FCA OIG's monitoring of work performed by IPAs.

Sincerely,

A handwritten signature in black ink that reads "Laura Davis". The signature is written in a cursive, flowing style.

Laura Davis
Inspector General

Enclosures

Scope and Methodology

We tested compliance with the Farm Credit Administration (FCA) Office of Inspector General (OIG) audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 2 of the 7 audit reports issued during the period April 1, 2016 through March 31, 2019. We also reviewed the internal quality control reviews performed by FCA OIG.

In addition, we reviewed the FCA OIG’s monitoring of audits performed by IPAs where the IPA served as the principal auditor during the period October 1, 2017 through March 31, 2019. During this period, the FCA OIG contracted for the audits of its agency’s fiscal year 2017 and fiscal year 2018 financial statements, and an audit of its agency’s compliance with the Federal Information Security Modernization Act of 2014 (FISMA).

We visited the FCA OIG office located in McLean, VA.

Reviewed Audits Performed by FCA OIG:

<u>Report Date</u>	<u>Report Title</u>
September 28, 2016	The Farm Credit Administration’s Oversight of Young, Beginning, and Small Farmer Programs
May 22, 2017	The Farm Credit Administration’s Contracting Activities

Reviewed Monitoring Files of FCA OIG for Contracted Audits:

<u>Report Date</u>	<u>Report Title</u>
November 15, 2018	Audit of the Farm Credit Administration’s Financial Statements – Fiscal Year 2018

FCAOIG

Farm Credit Administration
Office of Inspector General

September 4, 2019

Laura Davis
Inspector General
National Endowment of the Humanities
400 7th Street, SW
Washington, DC 20506

Dear Inspector General Davis:

I have reviewed your draft report on the system of quality control for the audit organization of the Farm Credit Administration Office of Inspector General in effect for the year ended March 31, 2019. We are pleased to have received a peer review rating of *Pass*. A pass rating is the highest rating that can be issued. This rating is issued when the review team concludes that the system of quality control has been suitably designed and complied with to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

We appreciate the work that went into the review and the professionalism and effort given to our office. We have no further comments on the draft report.

Sincerely,



Wendy R. Laguarda
Inspector General