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For the financial statements and related notes to each fiscal year's financial audit reports, refer to FCA’s Performance and Accountability Report (PAR) for that year. The PARs can be found on FCA’s website.
November 13, 2014

The Honorable Jill Long Thompson, Board Chair
The Honorable Kenneth A. Spearman, Board Member
The Honorable Leland A. Strom, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Board Chair Long Thompson and FCA Board Members Spearman and Strom:

The report on the audit of the Farm Credit Administration’s (FCA’s or Agency’s) financial statements for the fiscal year (FY) ended September 30, 2014 is attached. The Office of Inspector General (OIG) contracted with Harper, Rains, Knight & Company, P.A., an independent public accounting firm, to perform the audit.

Harper, Rains, Knight & Company issued an unmodified opinion on the Agency’s financial statements. In the auditor’s opinion, FCA’s principal financial statements present fairly, in all material respects, the financial position of the Agency as of the FY ended September 30, 2014, in conformity with generally accepted accounting principles.

Harper, Rains, Knight & Company considered FCA’s internal control over financial reporting to determine the audit procedures for the purpose of expressing an opinion on the financial statements. Although they did not express an opinion on the effectiveness of FCA’s internal controls, they did not identify any deficiencies considered to be a material weakness.

Additionally, Harper, Rains, Knight & Company performed tests of FCA’s compliance with selected provisions of laws and regulations that could have a direct and material effect on the financial statements. Although they did not express an opinion on compliance with those provisions, they did not identify any instances of noncompliance or other matters required to be reported under Government Auditing Standards issued by the Comptroller General of the United States or the Office of Management and Budget (OMB) Bulletin No. 14-02, Audit Requirements for Federal Financial Statements.

Harper, Rains, Knight & Company was required to perform the audit in accordance with Government Auditing Standards and OMB Bulletin No. 14-02. To ensure the quality of the work performed, the OIG:

- reviewed Harper, Rains, Knight & Company approach to and planning of the audit,
- evaluated the qualifications and independence of the auditors,
attended key meeting with auditors and Agency officials,
monitored the progress of the audit,
examined workpapers, and
reviewed the audit reports.

Harper, Rains, Knight & Company is responsible for the attached auditor’s report and the conclusions expressed in the report. The OIG is responsible for technical and administrative oversight regarding the audit firm’s performance under the terms of the contract. Our review was not intended to enable us to express, and accordingly we do not express an opinion on the Agency’s financial statements or conclusions on internal control over financial reporting and compliance with laws and regulations, including whether the Agency’s financial management systems substantially complied with the Federal Financial Management Improvement Act. However, our monitoring review disclosed no instances in which Harper, Rains, Knight & Company did not comply, in all material respects, with the auditing standards.

Respectfully,

[Signature]

Elizabeth M. Dean
Inspector General
Independent Auditors’ Report

The Board and Inspector General
Farm Credit Administration

Report on the Financial Statements

We have audited the accompanying balance sheet of the Farm Credit Administration (FCA), as of September 30, 2014, and the related statements of net cost and changes in net position, and combined statements of budgetary resources, for the fiscal year then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with general accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion on the Financial Statements

In our opinion, the financial statements including the accompanying notes, present fairly, in all material respects, the financial position of FCA as of September 30, 2014, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of FCA as of September 30, 2013, were audited by other auditors whose report, dated November 6, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Generally accepted accounting principles in the United States of America require that the information in the Management’s Discussion and Analysis, and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Statement of the Board Chair and Chief Executive Officer (CEO), Letter from the Chief Financial Officer, and Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FCA’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FCA’s internal control. Accordingly, we do not express an opinion on the effectiveness of FCA’s internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982.
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FCA’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 14-02.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of FCA’s internal control or compliance. Accordingly, this communication is not suitable for any other purpose.