



**Office of Inspector General**  
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## System Review Report

June 26, 2013

To: Elizabeth M. Dean, Inspector General  
Farm Credit Administration  
Office of Inspector General

We have reviewed the system of quality control for the audit organization of the Farm Credit Administration (FCA) Office of Inspector General (OIG) in effect for the year ended March 31, 2013. A system of quality control encompasses FCA OIG's organizational structure and the policies adopted and procedures established to provide reasonable assurance of conforming to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. FCA OIG is responsible for designing a system of quality control and complying with it to provide FCA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards 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 guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). 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 the FCA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the FCA OIG's system of quality control. The engagements selected represented a reasonable cross-section of the FCA OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with FCA OIG's 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's 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 engagements. 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 offices of the FCA OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of FCA OIG in effect for the year ended March 31, 2013, 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. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. FCA OIG has received a 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 engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements 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 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.

We want to thank you and your staff for their cooperation and assistance during the review. Your actions helped us complete our review quickly.

  
Carol M. Bates, Inspector General

Enclosure

## SCOPE AND METHODOLOGY (Enclosure 1)

### Scope and Methodology

We tested compliance with the FCA OIG's audit organization system of quality control to the extent we considered appropriate. These tests included a review of three of the six audit reports issued during the period April 1, 2010, through March 31, 2013, and six semiannual reporting periods. We also reviewed the internal quality control reviews performed by FCA OIG.

In addition, we reviewed the FCA OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2010, through March 31, 2013. During the period, FCA OIG contracted for the audit of its agency's Fiscal Year 2010, 2011, and 2012 financial statements. FCA OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the McLean, VA Office of FCA OIG which is its only office.

### Reviewed Engagements Performed by FCA

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
A-11-01	11/17/2011	Contracting Activities
A-11-02	09/12/2011	Approval Process of Funding Corporations Debt Issuances

### Reviewed Monitoring Files of FCA OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
A-12-FS	11/5/12	Audit of FCA's Financial Statements Fiscal Year 2012