



INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20005

System Review Report

August 16, 2018

The Honorable Phyllis K. Fong
Inspector General
United States Department of Agriculture
1400 Independence Ave., SW
Washington, D.C. 20250

Dear Ms. Fong:

We have reviewed the system of quality control in effect for the year ended March 31, 2018, for the audit organization of the United States Department of Agriculture (USDA) Office of Inspector General (OIG). A system of quality control encompasses the USDA OIG's organizational structure and the policies adopted and procedures established that provide it with reasonable assurance of conforming to elements of quality control described in *Government Auditing Standards*. The USDA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide it 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 the USDA 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 USDA OIG personnel and obtained an understanding of the nature of the USDA OIG audit organization and the design of the USDA OIG's system of quality control to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with the USDA OIG's system of quality control. The audits selected represented a reasonable cross-section of the USDA OIG's 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 USDA 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 USDA OIG audit organization. In addition, we tested compliance with the USDA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the USDA 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.

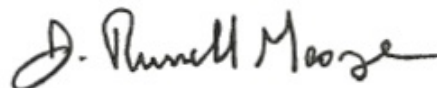
The enclosure to this report identifies the USDA OIG audits that we reviewed.

In our opinion, the system of quality control for the audit organization of the USDA OIG in effect for the year ended March 31, 2018, has been suitably designed and complied with to provide the USDA 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 USDA 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 the USDA OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the 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 USDA OIG had controls to ensure that 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 the USDA OIG's monitoring of work performed by IPAs.

We appreciate the cooperation and assistance provided by your staff. The timeliness of responses to questions and access to requested documentation was extremely helpful in completing our review.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George". The signature is written in a cursive, flowing style.

J. Russell George
Inspector General

Enclosure

SCOPE AND METHODOLOGY (Enclosure)

Scope and Methodology

We tested compliance with the USDA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of eight of 53 audit reports issued during the period April 1, 2017, through March 31, 2018, and one audit report issued in December 2016.¹ We also reviewed the internal quality control reviews performed by the USDA OIG during this same period.

Reviewed Engagements

We selected and reviewed the following audit reports (and workpapers) issued by the USDA OIG:

| Report Number | Report Date | Report Title |
|------------------|-------------|---|
| 07601-0002-23 | 12/5/2016 | <i>FAS' Monitoring of the Administration's Trade Agreement Initiatives</i> |
| 08601-0006-41 | 8/10/2017 | <i>Forest Service Secure Rural Schools Program</i> |
| 81099-0001-12 | 8/30/2017 | <i>Food, Nutrition, and Consumer Services' Fiscal Year 2015 Firm-Fixed-Price Contract Award Price Reasonableness Determinations</i> |
| 27601-0011-10 | 9/14/2017 | <i>South Carolina's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)</i> |
| 24601-0002-21 | 9/27/2017 | <i>Evaluation of Food Safety and Inspection Service's Equivalency Assessments of Exporting Countries</i> |
| 11401-0002-31 | 9/28/2017 | <i>Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to OPM</i> |
| 05401-0009-11 | 11/8/2017 | <i>Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2017 and 2016</i> |
| 10601-0004-31(2) | 11/13/2017 | <i>NRCS Regional Conservation Partnership Program Controls – Interim Report</i> |
| 04601-0001-22 | 12/18/2017 | <i>Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans</i> |

¹ We selected one report from outside of our scope period in order to include a report that the USDA OIG had reviewed as part of its periodic Quality Assurance Review (QAR) process.