



September 19, 2023

The Honorable Phyllis K. Fong
Inspector General
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Subject: System Review Report of the U.S. Department of Agriculture
Office of Inspector General Audit Organization (Project Number 23-063)

Dear Ms. Fong:

Attached is the System Review Report of the U.S. Department of Agriculture Office of Inspector General Office of Audit. We conducted this peer review in accordance with *Generally Accepted Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Melinda M. Perez, Assistant Inspector General for Audit, or John E. Cihota, Director, Audit Services, at (703) 248-2100.

A handwritten signature in blue ink, reading "Tammy L. Hull", is positioned above the printed name.

Tammy L. Hull
Inspector General

Attachment



System Review Report

September 19, 2023

The Honorable Phyllis K. Fong
Inspector General
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

We have reviewed the system of quality control for the audit organization of the U.S. Department of Agriculture Office of Inspector General (USDA OIG) in effect for the period April 1, 2022, through March 31, 2023. A system of quality control encompasses USDA OIG's organizational structure, the policies adopted, and the procedures established to provide it with reasonable assurance of conforming in all material respects with *Generally Accepted Government Auditing Standards (GAGAS)*¹ and applicable legal and regulatory requirements. The elements of quality control are described in GAGAS.

In our opinion, the system of quality control for the USDA OIG's audit organization in effect for the period April 1, 2022, through March 31, 2023, has been complied with and suitably designed to provide USDA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. USDA OIG has received an External Peer Review rating of *pass*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with GAGAS, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to USDA OIG's monitoring of engagements conducted in accordance with GAGAS (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of GAGAS. The purpose of our limited procedures was to determine whether USDA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on USDA OIG's monitoring of work performed by IPAs.

¹ *Government Auditing Standards, 2018 Revision Technical Update* (Report No. [GAO-21-368G](#), dated April 2021).

Letter of Comment

We have issued a letter dated September 19, 2023, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report. We also made certain comments related to USDA OIG's monitoring of GAGAS engagements performed by IPAs, which we included in the above referenced letter.

Basis of Opinion

We conducted our review in accordance with GAGAS and the CIGIE *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.²

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 assessment, we selected GAGAS engagements, engagements performed by IPAs, a quality assurance review, and administrative files to test for conformity with professional standards and compliance with USDA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the USDA OIG audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the USDA OIG audit organization and tested compliance with USDA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of USDA OIG's policies and procedures on selected GAGAS engagements. We based our review on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance. [Enclosure 1](#) of this report identifies the projects selected for review.

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.

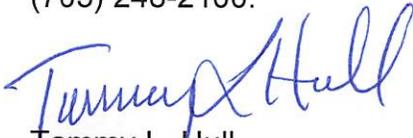
Responsibilities and Limitations

The USDA OIG is responsible for establishing and maintaining a system of quality control designed to provide USDA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and USDA OIG compliance based on our review.

² Dated March 2020.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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 and procedures may deteriorate.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Melinda M. Perez, Assistant Inspector General for Audit, or John E. Cihota, Director, Audit Services, at (703) 248-2100.



Tammy L. Hull
Inspector General

Enclosure

Scope and Methodology

We tested compliance with USDA OIG audit organization's system of quality control to the extent that we considered appropriate. These tests included a review of eight of 20 engagement reports conducted in accordance with GAGAS and issued between April 1, 2022, through March 31, 2023. (See [Table 1](#), [Table 2](#), and [Table 3](#).) We also reviewed one quality assurance review performed by USDA OIG and issued between April 1, 2020, through March 31, 2023. (See [Table 4](#).) We expanded the review period for the quality assurance reviews to three years, according to the *CIGIE Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.³

In addition, we reviewed USDA OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2022, through March 31, 2023. (See [Table 5](#).) During this period, USDA OIG contracted for the audit of its agency's fiscal year 2022 financial statements. USDA OIG also contracted for other GAGAS engagements that were performed in accordance with GAGAS.

Table 1. Reviewed Performance Engagements Performed by USDA OIG

	Audit Number	Audit Title	Report Issued
1	50024-0002-24	USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021	6/28/22
2	50501-0026-12	USDA's Compliance with the Geospatial Data Act for Fiscal Year 2022	9/26/22
3	50601-0010-31	Beginning Farmers	9/26/22
4	85401-0013-11	Rural Development's Financial Statements for Fiscal Years 2022 and 2021	11/9/22
5	03702-0003-31	Wildfires and Hurricanes Indemnity Program	3/24/23
6	10601-0008-31	Inflation Reduction Act – Environmental Quality Incentives Program	3/28/23

³ *CIGIE Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, Section 19.d.

Table 2. Reviewed Attestation Engagement Performed by IPA

	Audit Number	Audit Title	Report Issued
7	11303-0002-12	Independent Service Auditor’s Report on Financial Management Services’ Description of Its Financial Systems and the Suitability of the Design and Operating Effectiveness of Controls for the period October 1, 2021, through June 30, 2022.	9/21/2022

Table 3. Reviewed Agreed Upon Procedures Engagement Performed by USDA OIG

	Audit Number	Audit Title	Report Issued
8	11401-0007-31	Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management for Fiscal Year 2022.	9/29/22

Table 4. Reviewed Quality Assurance Review by USDA OIG

	Audit Number	Audit Title	Report Issued
1	QA-4236-0139	Quality Assurance Review-Audit-Oakland (Work Unit 41)	6/08/21

Table 5. Reviewed Monitoring Files of USDA OIG for Contracted GAGAS Engagements⁴

	Audit Number	Audit Title	Report Issued
1	50503-0009-12	U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2022 Federal Information Security Modernization Act (Performed by IPA)	9/27/22

We performed our external peer review between April 2023 and September 2023. Throughout the review period, we met with USDA OIG personnel to discuss the ongoing review.

⁴ The U.S. Postal Service Office of Inspector General entered into a memorandum of understanding with the USDA OIG to award this and other contracts with IPAs.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



9/11/23

Tammy L. Hull
Inspector General
United States Postal Service
1735 N. Lynn Street
Arlington, VA 22209-2020

Dear Inspector General Hull:

Thank you for providing the draft System Review Report on the United States Department of Agriculture's Office of Inspector General Audit Organization. We are pleased with the rating of pass and the opinion that our system of quality control has been suitably designed and complied with to provide reasonable assurance of performing and reporting, in conformity with applicable professional standards in all material respects.

I would like to take this opportunity to thank your staff for their professionalism during the course of this review. We appreciate their timely and diligent work to analyze our system of quality control and offer constructive suggestions for improvements.

If you have any questions, please contact Janet Sorensen, Assistant Inspector General for Audit, at (630) 453-9512 or me at (202) 720-8001.

Sincerely,

PHYLLI Digitally signed by
PHYLLIS FONG
S FONG Date: 2023.09.11
17:17:45 -04'00'

Phyllis K. Fong
Inspector General