



## System Review Report

March 21, 2022

Mr. James W. Hagen  
Inspector General  
Nation Credit Union Administration  
Office of Inspector General  
775 Duke Street, Suite 4206  
Alexandria, VA 22314

We have reviewed the system of quality control for the audit organization of National Credit Union Administration (NCUA) Office of Inspector General (OIG) in effect for the year ending September 30, 2021. A system of quality control encompasses NCUA OIG's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of NCUA OIG in effect for the year ending September 30, 2021, has been suitably designed and complied with to provide NCUA 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. NCUA 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 *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to NCUA OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 NCUA 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 NCUA OIG's monitoring of work performed by IPAs.

### **Letter of Comment**

We have issued a letter dated March 21, 2022, that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

### **Basis of Opinion**

Our review was conducted in accordance with *Government Auditing Standards* and the *CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

During our review, we communicated with NCUA OIG personnel and obtained an understanding of the nature of the NCUA OIG audit organization, and the design of NCUA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with NCUA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the NCUA 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 NCUA OIG audit organization. In addition, we tested compliance with NCUA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of NCUA OIG's policies and procedures on selected GAGAS 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.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with NCUA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies the engagements we reviewed.

### **Responsibilities and Limitations**

NCUA OIG is responsible for establishing and maintaining a system of quality control designed to provide NCUA 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 NCUA OIG's compliance based on our review.

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 or procedures may deteriorate.

Sincerely,

A handwritten signature in cursive script that reads "Joaquin Ferrao".

Joaquin Ferrao  
Acting Inspector General  
Enclosures

## Scope and Methodology

We tested compliance with NCUA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 2 of 2 engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from October 1, 2020, through September 30, 2021. We also reviewed the internal quality control reviews performed by NCUA OIG.

In addition, we reviewed NCUA OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from October 1, 2018, through September 30, 2021. During the period, NCUA OIG contracted for the audit of its agency's fiscal year 2020 financial statements. NCUA OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

Due to the ongoing COVID-19 pandemic and mandatory telework for NCUA OIG, we conducted this peer review virtually.

### Reviewed GAGAS Engagements Performed by NCUA OIG

Report No.	Report Date	Report Title
OIG-21-06	09/28/2021	Audit of NCUA's Governance of Information Technology Initiatives
OIG-21-01	02/09/2021	Audit of NCUA's Consumer Complaint Program

### Reviewed Monitoring Files of NCUA OIG for Contracted GAGAS Engagements

Report No.	Report Date	Report Title
OIG-21-02/03/04/05	02/16/2021	NCUA's 2020 Financial Statement Audits for the Share Insurance Fund, Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund



---

Enclosure 2

**Office of Inspector General**

March 15, 2022

Joaquin Ferrao  
Acting Inspector General  
Peace Corps Office of Inspector General  
Washington, D.C. 20526

Subject: System Review Report of the National Credit Union Administration Office of Inspector General Audit Organization

Dear Mr. Ferrao:

We appreciate the work conducted by your staff in reviewing the quality control process for the audit function at the National Credit Union Administration Office of Inspector General. We agree with your opinion that the system of quality control for the audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material aspects. We have no additional comments on the final System Review draft report provided. Thank you for your efforts in completing this review.

Sincerely,

A handwritten signature in black ink, appearing to read "James W. Hagen".

James W. Hagen  
Inspector General