September 11, 2019

The Honorable Laura S. Wertheimer
Inspector General
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219


Dear Inspector General Wertheimer:


We appreciate the cooperation and courtesies extended to our staff during the review.

Kind Regards,

Kurt W. Hyde
Inspector General

Enclosure
September 11, 2019

The Honorable Laura Wertheimer
Inspector General
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Dear Inspector General Wertheimer:

We have reviewed the system of quality control for the audit organization of Federal Housing Finance Agency Office of the Inspector General (FHFA OIG) in effect for the year ended March 31, 2019. A system of quality control encompasses FHFA OIG’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with Government Auditing Standards. The elements of quality control are described in Government Auditing Standards. FHFA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide FHFA OIG 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 FHFA 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’s (CIGIE) Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. During our review, we interviewed FHFA OIG personnel and obtained an understanding of the nature of the FHFA OIG audit organization, and the design of FHFA OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with FHFA OIG’s system of quality control. The audits selected represented a reasonable cross-section of FHFA 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 FHFA 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 FHFA OIG audit organization. In addition, we tested compliance with FHFA OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of FHFA 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 this report identifies FHFA OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of FHFA OIG in effect for the year ended March 31, 2019, has been suitably designed and complied with to provide FHFA 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. FHFA OIG has received an External Peer Review rating of pass.

Kind Regards,

Kurt W. Hyde
Inspector General

Enclosure
Scope and Methodology

We tested compliance with FHFA audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 3 of 28 audit reports issued during the period April 1, 2016, through March 31, 2019. We also reviewed the internal quality control reviews performed by FHFA OIG.

We visited FHFA OIG offices located in Washington, D.C. to interview staff and obtain information.

Reviewed Audits Performed by FHFA OIG:

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Report Title</th>
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<tbody>
<tr>
<td>AUD-2017-003</td>
<td>5/5/2017</td>
<td>FHFA’s Examination Program for the FHLBank’s Internal Audit Function was Adequately Designed and Executed</td>
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OFFICE OF INSPECTOR GENERAL
Federal Housing Finance Agency
400 7th Street SW, Washington, DC 20219

September 11, 2019

Mr. Kurt W. Hyde
Inspector General
Library of Congress
101 Independence Ave, SE
Washington, DC 20540

Dear Mr. Hyde:

Thank you for the opportunity to comment on your office’s draft External Peer Review Report on the Federal Housing Finance Agency Office of Inspector General (FHFA OIG) Audit Organization. We have no comment on the draft External Peer Review Report.

We are pleased to receive an External Peer Review rating of pass. Pursuant to the September 2014 Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General, a pass rating issued from an external peer review is the highest rating that can be issued.

The pass rating for the external peer review validates that our system of quality control was suitably designed and provides reasonable assurance that our audits will be performed and our audit results will be reported in conformity with applicable professional standards. FHFA OIG has been and continues to be committed to maintaining an effective system of quality control and to work continually to comply with applicable professional standards and its internal policies and procedures.

We are most appreciative of the professional and thorough efforts of the Library of Congress OIG staff who conducted the external peer review.

Sincerely,

Laura S. Wertheimer
Inspector General