



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: November 15, 2010

REPLY TO

ATTN OF: 50401-71-FM

TO: Jon M. Holladay  
Acting Chief Financial Officer  
Office of the Chief Financial Officer

ATTN: Kathy Donaldson  
Audit Liaison Officer  
Office of the Chief Financial Officer

SUBJECT: Report on the Department of Agriculture's Special Purpose Financial  
Statements for Fiscal Years 2010 and 2009

We have audited the accompanying reclassified balance sheets as of September 30, 2010 and 2009, and the related reclassified statements of net cost and changes in net position for the years then ended (hereinafter referred to as the special-purpose financial statements), contained in the special-purpose closing package of the Department of Agriculture (USDA). These special-purpose financial statements are the responsibility of USDA's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in U.S. *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements and accompanying notes contained in the special-purpose closing package have been prepared for the purpose of complying with the requirements of the *U.S. Department of Treasury's Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 solely for the purpose of providing financial information to the U.S. Department of Treasury (Treasury) and U.S. Government Accountability Office (GAO) to use in preparing and

auditing the Financial Report of the U.S. Government, and are not intended to be a complete presentation of USDA's financial statements.

In our opinion, the special-purpose financial statements and accompanying notes referred to above present fairly, in all material respects, the financial position of USDA as of September 30, 2010 and 2009, and its net costs, and changes in net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to the requirements of the TFM Chapter 4700.

The information included in the "Other Data" is presented for the purpose of additional analysis and is not a required part of the special-purpose financial statements, but is supplementary information required by TFM Chapter 4700. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methodology and presentation of this information. We also reviewed such information for consistency with the related information presented in USDA's financial statements. However, we did not audit this information, and accordingly, we express no opinion on it. As a result of such limited procedures, we believe that controls over "Other Data" related to deferred maintenance are not sufficient to ensure the accuracy and completeness of the reported information.

In accordance with U.S. *Government Auditing Standards* and OMB Bulletin 07-04, as amended, we have also issued reports dated November 12, 2010, on our consideration of USDA's internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit of general-purpose financial statement reporting performed in accordance with U.S. *Government Auditing Standards* and OMB Bulletin 07-04, as amended, and should be read in conjunction with this report in considering the results of our audit.

In planning and performing our audit of the special-purpose financial statements, we also considered USDA's internal control over the financial reporting process for the special-purpose financial statements and compliance with TFM Chapter 4700. Management is responsible for establishing and maintaining internal control over financial reporting, including "Other Data", and for complying with laws and regulations, including compliance with TFM Chapter 4700 requirements.

Our consideration of internal control over the financial reporting process for the special-purpose financial statements would not necessarily disclose all matters in the internal control over the financial reporting process that might be significant deficiencies. Significant deficiencies are deficiencies or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance. Material weaknesses are deficiencies or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the special-purpose financial statements being audited will not be prevented, or detected and corrected on a timely basis.

We found no material weaknesses in internal control over the financial reporting process for the special-purpose financial statements, and our tests of compliance with TFM Chapter 4700

requirements disclosed no instances of noncompliance that are required to be reported under U.S. *Government Auditing Standards* and OMB Bulletin 07-04, as amended. However, providing opinions on internal control over the financial reporting process for the special-purpose financial statements or on compliance with TFM Chapter 4700 requirements were not objectives of our audit of the special-purpose financial statements and, accordingly, we do not express such opinions.

This report is intended solely for the information and use of USDA, Treasury, OMB, and GAO in connection with the preparation and audit of the Financial Report of the U.S. Government, and is not intended to be and should not be, used by anyone other than these specified parties.

/s/ <Tracy LaPoint> (for): Gil Harden  
Assistant Inspector General  
for Audit

November 15, 2010