



SOCIAL SECURITY

March 5, 2010

MEMORANDUM FOR THE HONORABLE GREGORY H. FRIEDMAN
INSPECTOR GENERAL
DEPARTMENT OF ENERGY

SUBJECT: Department of Energy Peer Review for the Fiscal Year Ending
September 30, 2009

The attached report presents the results of our external quality control review of the Department of Energy, Office of Inspector General, Office of Audit Services. Your response to the draft report is included as Appendix B.

We thank you and your staff for the assistance and cooperation provided during our review. If you have any questions or would like to discuss the report, please call me, or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr." with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.
Inspector General

Attachment



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March 5, 2010

MEMORANDUM FOR THE HONORABLE GREGORY H. FRIEDMAN
INSPECTOR GENERAL
DEPARTMENT OF ENERGY

SUBJECT: Department of Energy, Peer Review for the Fiscal Year Ending
September 30, 2009

We have reviewed the system of quality control for the Department of Energy, Office of Inspector General (DoE-OIG) audit organization in effect for the year ended September 30, 2009. A system of quality control encompasses DoE-OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. DoE-OIG is responsible for designing a system of quality control and complying with it to provide DoE-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and DoE-OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed DoE-OIG personnel and obtained an understanding of the nature of DoE-OIG's audit organization and the design of DoE-OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with DoE-OIG's system of quality control. The engagements selected represented a reasonable cross-section of DoE-OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures, and met with DoE-OIG management to discuss the results of our review. We believe 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 DoE-OIG's audit organization. In addition, we tested compliance with DoE-OIG's quality control policies and procedures to the extent we considered appropriate. These

tests covered the application of DoE-OIG's policies and procedures on selected 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.

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. For our scope and methodology and a list of reports reviewed, see Appendix A.

In our opinion, the system of quality control for DoE-OIG's audit organization in effect for the year ended September 30, 2009, was suitably designed and complied with to provide DoE-OIG reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. DoE-OIG has received a 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 CIGIE, related to DoE-OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of 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 DoE-OIG had controls to ensure 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 DoE-OIG's monitoring of work performed by IPAs.

During the course of our review, we observed positive audit practices in DoE-OIG. For example, DoE-OIG integrated the Government Accountability Office's standards and DoE requirements into the relevant steps in the TeamMate library files. Further, DoE-OIG implemented a step within TeamMate to require the auditors contact the Office of Investigations at the beginning and end of each audit. This step ensures that the audit work does not interfere with any ongoing investigations. These policies and procedures provide useful guidance for ensuring effective approaches to audit and attestation engagements undertaken by the DoE-OIG.



Patrick P. O'Carroll, Jr.
Inspector General

Scope and Methodology

We tested compliance with the Department of Energy, Office of Inspector General (DoE-OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 10 of 62 audit and attestation reports issued during the two semiannual reporting periods during October 1, 2008 through September 30, 2009. We also reviewed the internal quality control reviews performed by DoE-OIG.

In addition, we reviewed DoE-OIG's monitoring of engagements performed by Independent Public Accountants (IPA) where the IPA served as the principal auditor. DoE-OIG contracted for the audit of DoE's Fiscal Year 2008 financial statements.

Reports Reviewed by the Social Security Administration, OIG

REPORT NUMBER	DATE ISSUED	REPORT TITLE
OAS-L-0916	Aug-09	Follow-Up Audit of the Stockpile Surveillance Program
OAS-V-09-04	Nov-08	Report on the Assessment of Changes to The Internal Control Structure and Their Impact on the Allowability of Costs Claimed By and Reimbursed to Los Alamos National Laboratory Under Department of Energy Contract No. W-7405-ENG-36 from October 1, 2005 to May 31, 2006
DOE/IG-0824	Sep-09	Bonneville Power Administration's Acquisition of Transmission-Related Materials and Equipment
OAS-V-09-05	Dec-08	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Bechtel Jacobs Company LLC During Fiscal Year 2007
DOE/IG-0817	Jul-09	The Department of Energy's Opportunity for Energy Savings Through the Use of Setbacks in its Facilities
DOE/IG-0823	Sep-09	The Management of the National Nuclear Security Administration's Classified Enterprise Secure Network Project
OAS-V-09-04	Nov-08	Report on the Assessment of Changes to The Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to B&W Technical Services Y-12, LLC (Formerly BWXT Y-12, LLC) Under Department of Energy Contract No. DE-AC05-00OR22800 During Fiscal Years 2006 and 2007
DOE/IG-0825	Sep-09	The Department of Energy's Management of Contractor Fines, Penalties and Legal Costs
DOE/IG-0814	Apr-09	The Procurement of Safety Class/Safety-Significant Items at the Savannah River Site
OAS-FS-09-01	Nov-08	Report on the Department of Energy's Fiscal Year 2008 Consolidated Financial Statements



Department of Energy

Washington, DC 20585

February 22, 2010

Mr. Stephen L. Schaeffer
Assistant Inspector General for Audit
Social Security Administration Office of Inspector General
6401 Security Blvd.
Baltimore, MD 21235-0001

Subject: Draft Report on the Department of Energy Peer Review for the Fiscal Year Ending September 30, 2009

Dear Mr. Schaeffer:

Thank you for the opportunity to respond to the subject report. We are pleased that our audit organization received a rating of *pass*. We have no specific comments to offer. If you have any questions, you may call me at (202) 586-1949, or your staff may contact Michael Sinko, Director, Staff and Technical Assistance at (202) 586-1807.

A handwritten signature in black ink, appearing to read "Rickey R. Hass".

Rickey R. Hass
Deputy Inspector General
for Audit Services
Office of Inspector General

