



Department of Energy
Washington, DC 20585

May 1, 2013

MEMORANDUM FOR THE ACTING SECRETARY

FROM: 
Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: External Peer Review Report on the Office of Audits

The *Government Auditing Standards*, issued by the Comptroller General of the United States, prescribe that all audit organizations must have an external peer review performed by an independent organization once every 3 years. Earlier this year, the Treasury Inspector General for Tax Administration (TIGTA) conducted the required peer review of my Office of Audits. It is our responsibility, under the *Government Auditing Standards*, to circulate the results of the peer review to the responsible agency head and to the members of Congress.

Attached for your information is a copy of the recently completed peer review. I am pleased to report that TIGTA found that the system of quality control for the audit organization had been designed in accordance with professional standards and that it provided reasonable assurance that those standards were adhered to in all material respects.

Please contact me if you have any questions about this report.

Attachment

cc: Acting Chief of Staff



INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

March 28, 2013

The Honorable Gregory H. Friedman
Inspector General
Department of Energy
1000 Independence Avenue, SW.
Washington, DC 20585

Dear Mr. Friedman:

We have reviewed the system of quality control in effect for the year ending September 30, 2012, for the audit organization of the Department of Energy's (DOE) Office of Inspector General (OIG). A system of quality control encompasses the DOE OIG's organizational structure, policies adopted, and procedures established that provide it with reasonable assurance of conforming to elements of quality control described in *Government Auditing Standards*. The DOE OIG is responsible for designing a system of quality control and complying with it to provide the DOE OIG with reasonable assurance of performing audits 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 the DOE OIG's compliance therewith based on our peer review.

In our opinion, the system of quality control in effect for the year ending September 30, 2012, for the audit organization of the DOE OIG has been suitably designed and complied with to provide the DOE OIG with reasonable assurance of performing audits 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*. The DOE OIG has received a peer review rating of *Pass*.

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 the DOE OIG audit organization and the design of the 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 the DOE OIG's system of quality control. The engagements selected represented a reasonable cross-section of the DOE OIG's audit organization, with emphasis on higher risk engagements. Prior to issuing the review report, we met with DOE 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 tested compliance with the DOE OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the 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 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.

Enclosure One to this report identifies the engagements that we reviewed. Enclosure Two includes your response to the draft report.

As is customary, we have issued a letter dated March 28, 2013, that sets forth findings that were not considered to be of sufficient significance to affect the opinion expressed in this report.

In addition to reviewing the system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to the 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 the IPA 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 the DOE OIG had controls to ensure the IPA performed contracted work in accordance with professional standards. We informed DOE OIG management of the results of our limited review. Our objective was not to express an opinion and, accordingly, we do not express an opinion on the DOE OIG's monitoring of work performed by the IPA.

We appreciate the cooperation and assistance provided by your staff. The timeliness of responses to questions and access to requested documentation was extremely helpful in completing our review.

Sincerely,



J. Russell George
Treasury Inspector

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the DOE OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of nine of 74 audit and attestation reports issued during the period October 1, 2011 through September 30, 2012, and semiannual reporting periods ending March 31, 2012 and September 30, 2012. We also reviewed the internal quality control reviews performed by the DOE OIG during this same period.

The sample of reports we reviewed also included DOE OIG's monitoring of engagements performed by the IPA where the IPA served as the principal auditor during the period October 1, 2011 through September 30, 2012. During this period, the DOE OIG contracted for the audit of its agency's Fiscal Year 2011 financial statements. The DOE OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

Reviewed Engagements and IPA Monitoring Files

We selected and reviewed the following audit reports (and workpapers) issued by the DOE OIG:

Report Number	Report Date	Report Title
OAS-M-12-01	11/15/2011	<i>The Federal Energy Regulatory Commission's Unclassified Cyber Security Program - 2011</i>
OAS-FS-12-02	11/15/2011	<i>Department of Energy's Fiscal Year 2011 Consolidated Financial Statements</i>
OAS-L-12-05	4/23/2012	<i>The Joint Actinide Shock Physics Experimental Research Facility at the Nevada National Security Site</i>
OAS-V-12-06	5/9/2012	<i>Audit Coverage of Cost Allowability for Princeton Plasma Physics Laboratory during Fiscal Years 2009-2010 under Department Energy Contract Numbers DE-AC02-76CH03073 and DE-AC02-09CH11466</i>
OAS-RA-12-12	5/22/2012	<i>The Department of Energy's Clean Cities Alternative Fuel Vehicle Grant Program Funded under the American Recovery and Reinvestment Act</i>
DOE/IG-0866	5/31/2012	<i>Integrated Safety Management at Sandia National Laboratories</i>
DOE/IG-0867	6/18/2012	<i>The National Nuclear Security Administration Contractors' Disability Compensation and Return-to-Work Programs</i>
OAS-RA-12-13	6/25/2012	<i>The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Ohio</i>
OAS-RA-L-12-07	9/20/2012	<i>The Department of Energy's American Recovery and Reinvestment Act – Ohio State Energy Program</i>

DOE OIG Response (Enclosure 2)



Department of Energy
Washington, DC 20585

February 21, 2013

Mr. Michael E. McKenney
Acting Deputy Inspector General for Audit
Treasury Inspector General for Tax Administration
U.S. Department of the Treasury
1401 H Street, NW
Suite 469
Washington, DC 20005

Subject: Draft Report on the Department of Energy's Office of Inspector General Peer Review
for the Fiscal Year Ending September 30, 2012

Dear Mr. McKenney:

Thank you for the opportunity to respond to the subject report. We are pleased that our audit organization received a rating of *pass*. In addition, we are satisfied that you found that the system of quality control for the audit organization had been designed in accordance with professional standards and that it provided reasonable assurance that those standards were adhered to in all material respects. Therefore, we have no further comments to offer regarding the report.

If you have any questions, you may call me at (202) 586-1949, or your staff may contact Robert O'Keefe, Director, Planning, Administration and Quality Assurance at (202) 586-4138.

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

Rickey R. Hass
Deputy Inspector General
for Audits and Inspections
Office of Inspector General