



Department of Energy

Washington, DC 20585

November 13, 2008

MEMORANDUM FOR THE SECRETARY

FROM:


Gregory H. Friedman
Inspector General

SUBJECT:

INFORMATION: Report on the Department of Energy's
Fiscal Year 2008 Consolidated Financial Statements

Pursuant to the Government Management Reform Act of 1994, the Office of Inspector General engaged the independent public accounting firm of KPMG LLP (KPMG) to perform the audit of the Department of Energy's (Department) fiscal year 2008 Consolidated Financial Statements.

KPMG audited the consolidated balance sheets and the related consolidated statements of net cost, changes in net position, and custodial activity, and the combined statements of budgetary resources as of and for the years ended September 30, 2008, and 2007 and concluded that these consolidated financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. KPMG has issued an unqualified opinion based on its audits and the reports of other auditors for the year ended September 30, 2008.

Auditors also considered the Department's internal controls over financial reporting and tested the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements. This work resulted in one matter related to unclassified network and information systems security being identified as a significant deficiency. Although the characteristics of the network security weaknesses that caused this deficiency are similar to those that were reported last year, the frequency of specific audit findings associated with this weakness had declined when compared to prior years. This deficiency is not considered to be a material weakness. With regard to the specific findings associated with this significant deficiency, the Department concurred and agreed to take corrective action. As for the tests of compliance, the audit disclosed no instances of noncompliance that are required to be reported under applicable audit standards and requirements.

The auditors applied certain limited procedures to the information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections of the Agency Financial Report. This information is not a required part of the consolidated financial statements and was not audited. Instead, the auditors relied primarily on inquiries of management with respect to the methods of measurement and presentation of this information.



The preparation and audit of financial statements involve many parties. The Department is responsible for preparing and submitting its consolidated financial statements in accordance with Office of Management and Budget requirements and the Office of Inspector General is responsible for the audit. As previously stated, we contracted with the public accounting firm of KPMG LLP to conduct this audit. The Office of Inspector General monitored the contractor's progress, and reviewed the audit report and related documentation to ensure compliance with generally accepted Government auditing standards. The Office of Inspector General, however, did not render an independent opinion on the Department's consolidated financial statements.

I would like to thank each of the Department elements for their courtesy and cooperation during the review.

Attachment

cc: Acting Deputy Secretary of Energy
 Under Secretary for Nuclear Security
 Under Secretary of Energy
 Under Secretary for Science
 Chief of Staff
 Chief Financial Officer
 Chief Information Officer

Audit Report: OAS-FS-09-01

www.cfo.doe.gov/cf1-2/2008parpilot.htm