



OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

# AUDIT REPORT

DOE-OIG-18-10

December 2017

**FEDERAL ENERGY REGULATORY  
COMMISSION'S FISCAL YEAR 2017  
FINANCIAL STATEMENT AUDIT**



**Department of Energy**  
Washington, DC 20585

December 07, 2017

MEMORANDUM FOR THE CHAIRMAN, FEDERAL ENERGY REGULATORY  
COMMISSION

*Sarah B. Nelson*

FROM: Sarah B. Nelson  
Assistant Inspector General  
for Audits and Administration  
Office of Inspector General

SUBJECT: INFORMATION: Federal Energy Regulatory Commission's Fiscal  
Year 2017 Financial Statement Audit

The attached report presents the results of the independent certified public accountants' audit of the Federal Energy Regulatory Commission's (Commission) balance sheets, as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended.

To fulfill the Office of Inspector General's audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP to conduct the audit, subject to our review. KPMG LLP is responsible for expressing an opinion on the Commission's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted Government auditing standards. The Office of Inspector General did not express an independent opinion on the Commission's financial statements.

KPMG LLP concluded that the financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2017 and 2016, and its net costs, changes in net position, budgetary resources, and custodial activities for the years then ended, in accordance with United States generally accepted accounting principles.

As part of this review, auditors also considered the Commission's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit did not identify any deficiencies in internal control over financial reporting that is considered a material weakness.

The results of the auditors' review of the Commission's compliance with certain laws and regulations disclosed no instances of noncompliance or other matters required to be reported under generally accepted Government auditing standards or applicable Office of Management and Budget guidance.

We appreciate the cooperation of your staff during the audit.

Attachment

cc: Executive Director, Federal Energy Regulatory Commission  
Chief Financial Officer, Federal Energy Regulatory Commission  
Acting Chief Financial Officer, CF-1  
Director, Internal Controls and Evaluation Division, Federal Energy Regulatory Commission  
Director, Office of Finance and Accounting, CF-10  
Deputy Director, Office of Finance and Accounting, CF-10  
Assistant Director, Office of Financial Policy and Internal Controls, CF-12  
Division Director, Office of Financial Policy and Internal Controls, CF-12  
Audit Resolution Specialist, Office of Financial Policy and Internal Controls, CF-12  
Audit Liaison, Federal Energy Regulatory Commission

Audit Report: DOE-OIG-18-10

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## INDEPENDENT AUDITOR'S REPORT



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

Attachment

### Independent Auditors' Report

Federal Energy Regulatory Commission and  
Principal Deputy Inspector General, United States Department of Energy

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Federal Energy Regulatory Commission (the Commission), which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion on the Financial Statements**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Energy Regulatory Commission as of September 30, 2017 and 2016, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.



### **Other Matters**

#### *Interactive Data*

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Letter from Chairman Chatterjee, Strategic Plan Summary, Message from the Chief Financial Officer, Other Information – including the Improper Payments Information Act (IPIA) Reporting, Fraud Reduction Report and Civil Monetary Penalty Adjustment for Inflation – and the Appendices of the Agency Financial Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Attachment

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 17-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Commission's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

**Purpose of the Other Reporting Required by Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Washington, D.C.  
November 14, 2017

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Office of Inspector General (IG-12)  
Department of Energy  
Washington, DC 20585

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