



Department of Energy
Washington, DC 20585

August 23, 2022

MEMORANDUM FOR THE SECRETARY

FROM: Teri L. Donaldson
Inspector General

SUBJECT: INFORMATION: External Peer Review Report on the Audit Organization
of the Office of Inspector General

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. The U.S. Department of Housing and Urban Development Office of Inspector General (HUD IG) conducted the required peer review of my audit organization. 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 HUD IG 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.

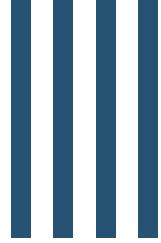
Sincerely,

A handwritten signature in cursive script, appearing to read "Teri L. Donaldson".

Teri L. Donaldson
Inspector General

Attachment

cc: Chief of Staff



System Review Report

June 24, 2022

The Honorable Teri Donaldson, Inspector General
United States Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

We have reviewed the system of quality control for the audit organization of the U.S. Department of Energy, Office of Inspector General (DOE OIG), in effect for the year ended September 30, 2021. 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 in all material respects with Government Auditing Standards¹ and applicable legal and regulatory requirements. The elements of quality control are described in Government Auditing Standards.

In our opinion, the system of quality control for the audit organization of DOE OIG in effect for the year ended September 30, 2021, has been suitably designed and complied with to provide DOE OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. DOE OIG has received an external peer review rating of *pass*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure compliance with Government Auditing Standards, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to DOE OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by independent public accountants (IPA) under contract in which the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion. Accordingly, we do not express an opinion on DOE OIG's monitoring of work performed by IPAs.

¹ U.S. Government Accountability Office (GAO), Government Auditing Standards (GAO-21-368G), April 2021



Letter of Comment

We have issued a draft letter, dated May 27, 2022, which sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

Our review was conducted in accordance with Government Auditing Standards and the CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General.

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 DOE OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with DOE OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross section of DOE OIG's audit organization, with an emphasis on higher risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the DOE OIG 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 GAGAS 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.

Before concluding the peer 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 that the procedures we performed provide a reasonable basis for our opinion. Attachment 1 to this report identifies DOE OIG engagements we reviewed.

Responsibilities and Limitation

DOE OIG is responsible for establishing and maintaining a system of quality control designed to provide it with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and DOE OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; 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.

Rae Oliver Davis
Inspector General

Attachment

cc:

Jennifer Quinones, Deputy Inspector General

Earl Omer, Assistant Inspector General for Audits

Eric Anderson, Director, Office of Planning, Administration, and Quality Assurance

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 15² of 26 GAGAS engagement reports issued from October 1, 2020, through September 30, 2021. We also reviewed the internal quality control reviews performed by DOE OIG.

In addition, we reviewed DOE OIG's monitoring of GAGAS engagements performed by IPAs in which the IPA served as the auditor from October 1, 2020, through September 30, 2021. During that period, DOE OIG contracted for the audit of its agency's fiscal year 2020 financial statements. DOE OIG also contracted for other GAGAS engagements that were performed in accordance with Government Auditing Standards.

Reviewed GAGAS engagements performed by DOE OIG

	Project no.	Report no.	Report date	Report title
1	A20TG004	DOE-OIG-21-32	07/21/2021	The Office of Environmental Management's Mission Information Protection Program
2	A17LL042	DOE-OIG-21-31	07/07/2021	Management of Institutional General Plant Projects at Lawrence Livermore National Laboratory
3	A19LA030	DOE-OIG-21-28	06/11/2021	Subcontractor – Performed Commercial Grade Dedication at Los Alamos National Laboratory
4	A18TG046	DOE-OIG-21-08	12/14/2020	Contingency Planning Efforts for Information Technology Mission Support Systems at Selected Department of Energy Locations
5	A20CH006	DOE-OIG-21-25	04/09/2021	CAS – Fiscal Year 2018 Evaluation of Incurred Cost Coverage at Sandia National Laboratories
6	A19LV040	DOE-OIG-21-19	04/07/2021	SCIC – Audit Coverage of Subcontract Costs for Lawrence Livermore National Security, LLC from October 1, 2013, to September 30, 2014, and from October 1, 2015, to September 30, 2017
7	A20ID009	DOE-OIG-21-24	04/09/2021	CAS – Fiscal Year 2017 Evaluation of Incurred Cost Coverage at the Los Alamos National Laboratory
8	A20TG003	DOE-OIG-21-35	08/02/2021	Management of the Cybersecurity Program at a Department of Energy Site

² Five performance, three financial, three terminated, two CAS (cooperative audit strategy, which is when the lab's employees do the audit and then DOE OIG reviews and tests their work), one SCIC (DOE OIG reviews the lab's statement of costs incurred and claimed for reimbursement by its operating management), and one attestation.



Reviewed Monitoring Files of DOE OIG for Contracted GAGAS Engagements

	Project no.	Report no.	Report date	Report title
1	A20FN019	DOE-OIG-21-37	09/14/2021	Southwestern Federal Power System's Fiscal Year 2020 Financial Statement Audit
2	A20FN013	DOE-OIG-21-15	02/19/2021	Western Federal Power System's Fiscal Year 2020 Financial Statement Audit
3	A20FN010	DOE-OIG-21-03	11/16/2020	Department of Energy's Fiscal Year 2020 Consolidated Financial Statement Audit

Reviewed attestation engagements

	Project no.	Report no.	Report date	Report title
1	A21LA014	2021-03-02	06/09/2021	Agreed-upon Procedures for the Los Alamos National Security Contract Closeout

Reviewed terminated engagements

	Project no.	Entrance conference date	Termination date	Project name
1	A20LA032t	03/08/2020	05/07/2021	LANL Lock Out Tag Out Program
2	A20OR011t	03/05/2020	03/18/2021	Follow Up Review on Incurred Cost Audit Coverage of Non-Management and Operating Contractors
3	A19CH018t	02/20/2019	08/04/2021	(SCIC) FERMI – FY 2015: FY 2017 - FERMI Research Alliance LLC