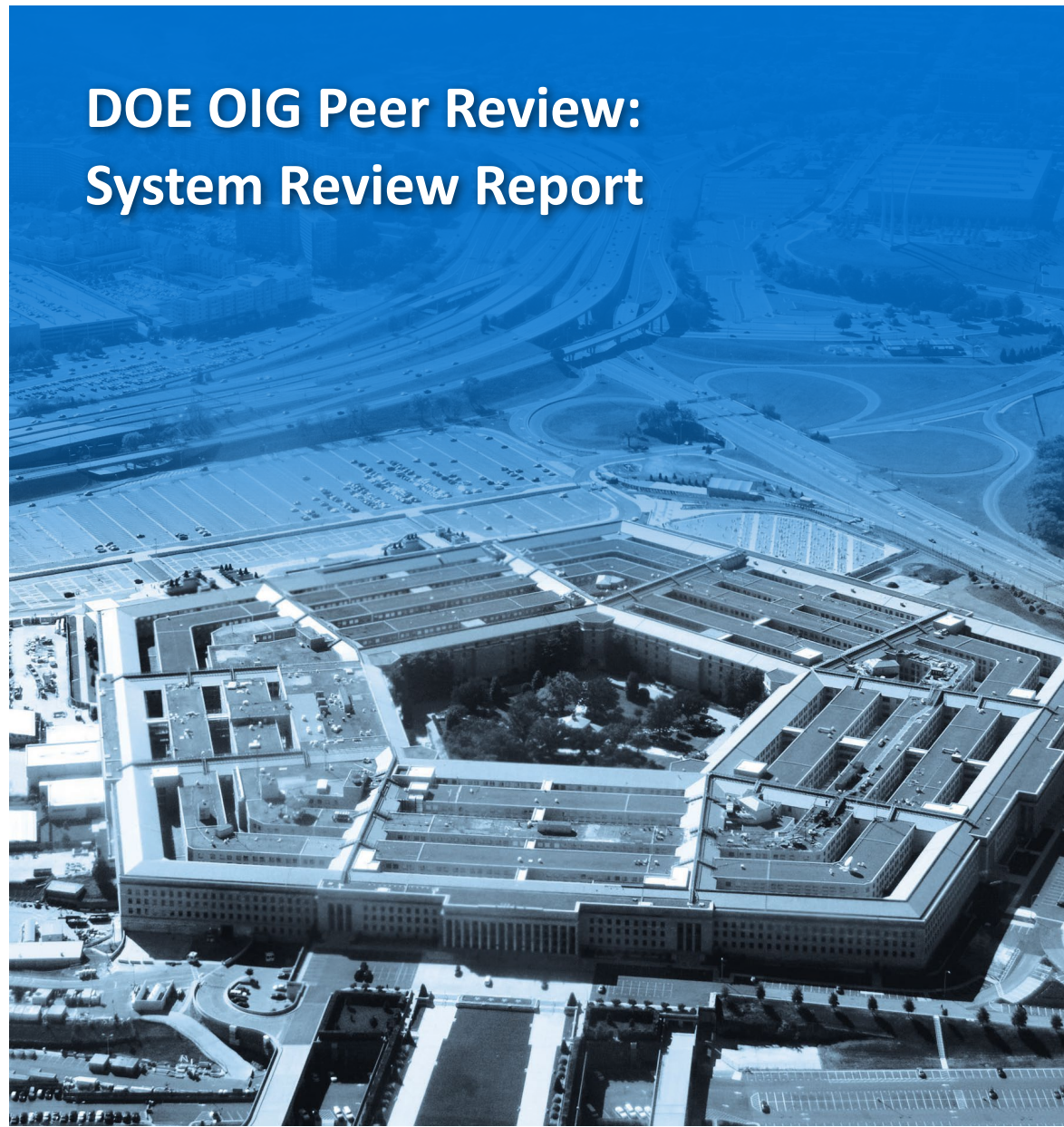




INSPECTOR GENERAL

U.S. Department of Defense

MARCH 29, 2016



DOE OIG Peer Review: System Review Report

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE



Department of Energy
Washington, DC 20585

May 6, 2016

MEMORANDUM FOR THE SECRETARY

A handwritten signature in black ink, appearing to read "Rickey R. Hass", is enclosed in a rectangular box.

FROM: Rickey R. Hass
Acting 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 Department of Defense Office of Inspector General (DoD 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 DoD 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.

Attachment

cc: Chief of Staff

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

Mission

Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision

Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.



For more information about whistleblower protection, please see the inside back cover.



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

March 29, 2016

Rickey R. Hass, Acting Inspector General
United States Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Subject: External Peer Review Report on the United States Department of Energy, Office of
Inspector General Audit Organization

Dear Mr. Hass:

Attached is the external peer review report of the United States Department of Energy, Office of Inspector General audit organization. This review was conducted in accordance with Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General.

We appreciate the cooperation and courtesies extended to our staff during the review.

A handwritten signature in black ink that reads "Glenn A. Fine". The signature is written in a cursive, flowing style.

Glenn A. Fine
Acting Inspector General

Attachment:
As stated





INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

March 29, 2016

Rickey R. Hass, Acting Inspector General
United States Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Subject: System Review Report

We have reviewed the system of quality control for the United States Department of Energy, Office of Inspector General (DOE OIG) audit organization in effect for the year ended September 30, 2015. The system of quality control encompasses DOE OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conformance with the elements of quality control described in generally accepted government auditing standards. The DOE OIG is required to establish and maintain a system of quality control that is designed to provide the DOE OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. We are required 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 generally accepted government auditing standards and the Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. During our review, we interviewed DOE OIG personnel to understand 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 audits and attestation engagements, collectively referred to as audits, and administrative files to test for conformity with professional standards and compliance with DOE OIG's system of quality control. The audits selected represented a reasonable cross section of the DOE OIG audit organization, with emphasis on higher-risk audits. Before concluding our review, we reassessed the adequacy of the scope of the peer review procedures and met with DOE OIG management to discuss our review results. We believe that 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 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. Those tests covered the

application of DOE OIG's policies and procedures on selected audits. 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.

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

Enclosure 1 to this report identifies the DOE OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the DOE OIG audit organization in effect for the year ended September 30, 2015, was suitably designed and complied with to provide the DOE OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of pass, pass with deficiencies, or fail. The DOE OIG received an external peer review rating of *pass*. As is customary, we have issued a letter dated March 29, 2016, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing its system of quality control to ensure adherence with generally accepted government auditing standards, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency related to DOE OIG's monitoring of audits performed by Independent Public Accounting (IPA) firms under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of generally accepted government auditing standards. The purpose of our limited procedures was to determine whether the 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. We made certain comments related to the DOE OIG's monitoring of audits performed by IPAs that are included in the above referenced letter, dated March 29, 2016.



Glenn A. Fine
Acting Inspector General

Enclosure:
As stated

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. The tests included a review of 6 of 48 audit reports issued from October 1, 2014, through September 30, 2015. We also reviewed the internal quality control reviews performed by the DOE OIG.

Our review included DOE OIG's monitoring of audits performed by IPAs where the IPA served as the auditor from October 1, 2014, through September 30, 2015. During the period, DOE OIG contracted for the audit of its agency's fiscal year 2014 financial statements. DOE OIG also contracted for certain other audits to be performed in accordance with generally accepted government auditing standards.

We visited DOE OIG offices located in Washington, DC; Germantown, Maryland; Albuquerque, New Mexico; and Oak Ridge, Tennessee and interviewed DOE OIG personnel at those locations.

DOE OIG Performed Audits Reviewed

| Report No. | Report Date | Report Title |
|-------------|--------------------|---|
| DOE/IG-0925 | October 22, 2014 | The Department of Energy's Unclassified Cybersecurity Program – 2014 |
| DOE/IG-0930 | December 16, 2014 | Follow-up on the Los Alamos National Laboratory Hydrodynamic Test Program |
| DOE/IG-0943 | August 3, 2015 | Allegations Regarding Information Technology Procurement at Bonneville Power Administration |
| DOE/IG-0944 | August 28, 2015 | Security Improvements at the Y-12 National Security Complex |
| OAS-V-15-04 | September 21, 2015 | Audit Coverage of Cost Allowability for Stanford University During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-76SF00515 |

IPA Performed Audits Reviewed

| Report No. | Report Date | Report Title |
|--------------|-------------------|---|
| OAS-FS-15-01 | November 17, 2014 | Department of Energy's Fiscal Year 2014 Consolidated Financial Statements |



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, visit www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

Congressional Liaison

congressional@dodig.mil; 703.604.8324

Media Contact

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