



Department of Energy
Washington, DC 20585

November 12, 2009

MEMORANDUM FOR THE SECRETARY

FROM: 
Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Report on "The Department of Energy's Fiscal Year 2009 Consolidated Financial Statements"

This is to inform you that the Department of Energy's (Department) Consolidated Financial Statements for Fiscal Year (FY) 2009 have received an unqualified opinion. Pursuant to requirements established by the Government Management Reform Act of 1994, the Office of Inspector General (OIG) engaged the independent public accounting firm of KPMG LLP (KPMG) to perform an audit of the Department's FY 2009 Consolidated Financial Statements. The audit was performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin Number 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

KPMG was responsible for expressing an opinion on the Department's consolidated financial statements based on its audits and the reports of other auditors for the year ended September 30, 2009. KPMG concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the Department and its net costs, changes in net position, budgetary resources, and custodial activity in conformity with U.S. generally accepted accounting principles.

The audit included obtaining an understanding of the internal control over financial reporting and testing and evaluating the design and operating effectiveness of the internal control structure. This work identified two significant deficiencies in the Department's internal control over financial reporting, neither of which were considered to be a material weakness:

- Accounting for Property, Plant, and Equipment (PP&E): Deficiencies in internal controls over recording PP&E accurately, completely, and timely were identified. Misinterpretation of Departmental accounting policies and improper application of accounting principles caused certain costs to be expensed instead of capitalized and also caused misclassifications between completed PP&E and construction work in process. The Department provided comments on this issue and indicated that it will address outdated policies and procedures and identify and implement best practices to strengthen controls to ensure that assets are capitalized timely

and promptly transferred from construction work in process when placed in service.

- **Unclassified Network and Information Systems Security:** While the Department has made progress in addressing previously identified cyber security weaknesses, network vulnerabilities and weaknesses in access and other security controls over unclassified computer information systems continued to exist. In management comments on this finding, the Department noted that it recognized these weaknesses and will continue its efforts to improve cyber security posture.

The audit also included tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements. This work disclosed no instances of noncompliance or other matters that are required to be reported under applicable auditing standards and requirements.

As in previous years, the preparation and audit of the financial statements involve many parties. The Department is responsible for the preparation of the financial statements and the OIG is responsible for the audit. The OIG contracted with KPMG to conduct the audit, monitored the contractor's progress, and reviewed the contractor's audit report and related documentation to ensure compliance with generally accepted government auditing standards. The OIG did not express an independent opinion on the Department's financial statements.

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

Attachment

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

Audit Report: OAS-FS-10-02

<http://www.cfo.doe.gov/cf12/2009parAFR.pdf>