



## OFFICE OF INSPECTOR GENERAL

December 18, 2007

The Honorable Richard W. Moore  
Inspector General  
Tennessee Valley Authority  
400 West Summit Hill Drive  
Knoxville, Tennessee 37902-1401

Dear Mr. Moore:

Subject: Final Report on the External Quality Control Review of the Office of Inspector General for the Tennessee Valley Authority

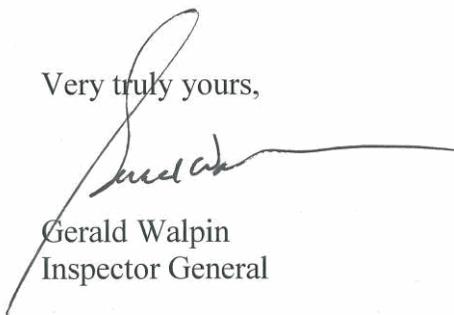
Dear Mr. Moore:

This report presents the results of our External Quality Control Review of the Office of Inspector General for the Tennessee Valley Authority. Your response to the draft report is included as Exhibit B.

Our review resulted in an unmodified opinion, also known as a clean audit opinion. This means no material weaknesses were identified and there were no restrictions on the scope of the auditor's work during the review.

We thank you and all of your staff for the assistance and cooperation extended during the review. If you have any questions about this review, please call Carol Bates, Assistant Inspector General for Audit, at (202) 606-9356, or me, at (202) 606-9390.

Very truly yours,



Gerald Walpin  
Inspector General

Enclosures



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## OFFICE OF INSPECTOR GENERAL

December 18, 2007

The Honorable Richard W. Moore  
Inspector General  
Tennessee Valley Authority  
400 West Summit Hill Drive  
Knoxville, Tennessee 37902-1401

Dear Mr. Moore:

We have reviewed the system of quality control for the audit function of the Office of the Inspector General for the Tennessee Valley Authority (TVA OIG) in effect for the year ended September 30, 2007. A system of quality control encompasses the OIG's organizational structure, and the policies adopted and procedures established to provide it with reasonable assurance of conforming to generally accepted government auditing standards (GAGAS). The elements of quality control are described in GAGAS, promulgated by the Comptroller General of the United States. The design of the system, and compliance with it in all material respects, are the responsibility of the TVA OIG. Our objective was to determine whether the internal quality control system was adequate as designed, and complied with, in order to provide reasonable assurance that applicable auditing standards, policies, and procedures were met. Our responsibility is to express an opinion on the design of the system and TVA OIG's compliance with the system based on our review.

Our review was conducted in accordance with the guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. In performing our review, we obtained an understanding of the system of quality control for TVA OIG. In addition, we tested compliance with the OIG's quality control policies and procedures to the extent we considered appropriate. These tests included the application of the TVA OIG's policies and procedures to selected audits. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. Nevertheless, we believe that the procedures we performed provide a reasonable basis for our opinion.



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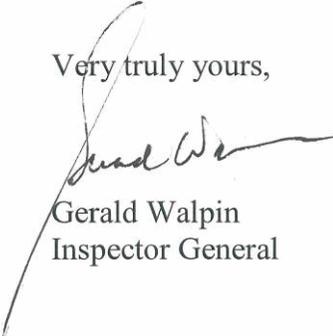


Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Our scope and methodology appears as Exhibit A.

In our opinion, the system of quality control for the audit function of TVA OIG in effect for the year ended September 30, 2007, has been designed to meet the requirements of the quality control standards established by the Comptroller General of the United States for a Federal Government audit organization and was complied with during the year ended September 30, 2007, to provide TVA OIG with reasonable assurance of conforming with applicable auditing standards, policies, and procedures.

Very truly yours,



Gerald Walpin  
Inspector General

Enclosures

## **Peer Review Scope and Methodology (Exhibit A)**

### **Scope and Methodology**

We tested compliance with TVA OIG's system of quality control to the extent we considered appropriate. These tests included a review of 8 of 84 audit reports issued during the two semiannual reporting periods ending March 31, 2007 and September 30, 2007. The reviewed audit reports included the OIG's monitoring activities related to the audit of TVA's FY 2006 financial statements, performed under contract to the OIG by PricewaterhouseCoopers, LLP. In addition, we reviewed an internal quality control review performed by TVA OIG.

### **OIG Offices Reviewed**

We performed our review in November 2007 at TVA OIG's offices in Knoxville, Tennessee. Our work was performed in accordance with the guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

### **Audit Reports Reviewed**

<b>Report Number</b>	<b>Report Name</b>	<b>Report Date</b>
2007-014C	Review of TVA's Contract with Retiree Resources Corporation	7/11/2007
2006-038C	Stone and Webster Construction Inc. – Contract 14703 – Review of Indirect Rates	1/26/2007
2005-062F	TVA'S Financial Reporting Controls - Sarbanes-Oxley 404 Readiness Testing	3/14/2007
2007-032F	Evaluation of Financial Reporting Controls for Acquire and Develop Fixed Assets	4/24/2007
2006-014T	IT General Controls - Sarbanes-Oxley 404 Readiness Testing	2/15/2007
2007-008T	Privacy Protection - TVA Use of Information in Identifiable Form	7/31/2007
2006-040F	Review of PricewaterhouseCooper's Audit of the TVA FY 2006 Financial Statements	12/18/2006
2007-11159	2007 3rd Qtr. 10Q Review	8/20/2007



**Office of the Inspector General**

Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

Richard W. Moore  
Inspector General

December 17, 2007

The Honorable Gerald Walpin  
Inspector General  
Corporation for National Community Service  
1201 New York Avenue, NW  
Suite 830  
Washington, DC 20525

Dear Mr. Walpin:

We received your December 11, 2007, draft report which summarized the results of your review of our audit organization's system of quality control for the fiscal year ended September 30, 2007. We were very pleased with the outcome of the review and agree with the results.

I would like to thank you and your staff for the work they did and the insightfulness and professionalism demonstrated throughout their review. The thoughtful and constructive comments they provided during the review will help us to continue to improve our processes. I would like to particularly thank Sharon Brown for directing the review and ensuring the work was completed in a very timely and efficient manner. I look forward to receiving your final report and would welcome the opportunity to work with you and your staff again.

Very truly yours,

(for) Richard W. Moore