



March 10, 2020

Transmittal Letter

Ms. Jill M. Matthews  
Deputy Inspector General Performing the Duties of the Inspector General  
Tennessee Valley Authority  
Office of Inspector General  
400 West Summit Hill Drive, WT 2C  
Knoxville, Tennessee 37902

SUBJECT: External Peer Review Final Systems Report on the Tennessee Valley Authority Office of Inspector General Organization.

Dear Ms. Matthews:

Attached is the Systems Review Report for the external peer review of the Tennessee Valley Authority Office of Inspector General audit organization 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*. On February 19, 2020, we provided you with a draft of the report for your review and comment. In your response dated February 25, 2020, you provided no comments on the Systems Review Report. We have included your response as Enclosure 2 in the final System Review Report.

We appreciate the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me or Brooke Holmes, Assistant Inspector General for Audits, Evaluations, and Inspections.

Sincerely,

*Robert A. Westbrooks*

Robert A. Westbrooks  
Inspector General

cc: David P. Wheeler, Assistant Inspector General Audits & Evaluations  
Curtis C. Hudson, Deputy Assistant Inspector General, Audits  
David S. Shields, Manager, Audit and Evaluation Quality



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Ms. Jill M. Matthews  
Deputy Inspector General Performing the Duties of the Inspector General  
Tennessee Valley Authority  
Office of Inspector General  
400 West Summit Hill Drive, WT 2C  
Knoxville, Tennessee 37902

SUBJECT: System Review Report on the External Peer Review of the Tennessee Valley Authority Office of Inspector General Audit Organization

Dear Ms. Matthews:

We have reviewed the system of quality control for the audit organization of the Tennessee Valley Authority Office of Inspector General (TVA OIG) in effect for the 12-month period ended September 30, 2019. A system of quality control encompasses TVA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with Government Auditing Standards. The elements of quality control are described in Government Auditing Standards. TVA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide TVA OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and TVA OIG's compliance therewith based on our review.

Our review was conducted in accordance with Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. During our review, we interviewed TVA OIG personnel and obtained an understanding of the nature of the TVA OIG audit organization, and the design of TVA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with TVA OIG's system of quality control. The audits selected represented a reasonable cross-section of TVA OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures

and met with TVA OIG management to discuss the results of our review. 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 TVA OIG audit organization. In addition, we tested compliance with TVA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of TVA 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 with it.

There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system of quality control 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 TVA OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of TVA OIG in effect for the year ended September 30, 2019 has been suitably designed and complied with to provide TVA 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. TVA OIG has received an External Peer Review rating of pass.

As is customary, we have issued a letter dated March 10, 2020 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 Government Auditing Standards, we applied certain limited procedures in accordance with guidance established by CIGIE related to TVA OIG's monitoring of audits performed by Independent Public Accountants (IPAs) 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 Government Auditing Standards. The purpose of our limited procedures was to determine whether TVA 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 TVA OIG's monitoring of work performed by IPAs.

Sincerely,

*Robert A. Westbrook*

Robert A. Westbrook  
Inspector General

## Enclosure 1: Scope and Methodology

We tested compliance with Tennessee Valley Authority OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 21 audit reports issued during the period October 1, 2018 through September 30, 2019. We also reviewed the 2017 and 2018 internal annual quality control monitoring summary reports completed by TVA OIG.

Further, we reviewed TVA OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period October 1, 2016 through September 30, 2019. TVA OIG contracted for certain other audits that were to be performed in accordance with Government Auditing Standards.

We visited the TVA OIG office located in Knoxville, Tennessee to interview staff and obtain information.

### *Reviewed Audits Performed by the TVA OIG:*

Report No.	Report Date	Report Title
2018-15562	11/9/2018	Proposal for Coal Residual Program Management
2018-15577	8/8/2019	Sargent & Lundy, L.L.C. – Contract Nos. 8444 and 12285
2019-15624	9/17/2019	Employee Recognition Expenditures
2019 -15636	8/26/2019	Transmission System Perimeter Attacks

### *TVA OIG Monitoring of Contracted Audits:*

Report No.	Report Date	Report Title
2018-15597	11/15/2018	Monitoring of Ernst & Young LLP's Audit of the Tennessee Valley Authority Fiscal Year 2018 Financial Statements

## Enclosure 2: TVA OIG Comments on the Draft Report



**Office of the Inspector General**

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

Jill M. Matthews

Deputy Inspector General Performing the Duties of the Inspector General

February 25, 2020

Mr. Robert A. Westbrooks  
Inspector General  
Pension Benefit Guaranty Corporation  
1200 K Street, NW; Suite 480  
Washington, DC 20005-4026

Dear Mr. Westbrooks:

We have reviewed the draft System Review Report dated February 19, 2020, which summarized the results of your review of our audit organization's system of quality control for the fiscal year ended September 30, 2019. We were very pleased your independent review of our audit operations resulted in a rating of *pass* and concluded our system of quality control was suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

We have no comments to the Peer Review System Report, and I would like to thank you and your personnel for the work they did and the insightfulness and professionalism demonstrated throughout the review.

Sincerely,

Jill M. Matthews

Deputy Inspector General Performing the Duties of the Inspector General