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## United States Senate

COMMITTEE ON  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
WASHINGTON, DC 20510-6250

June 16, 2017

April Stephenson  
Acting Inspector General  
U.S. Department of Energy  
Office of Inspector General  
1000 Independence Ave., SW  
Washington, DC 20585

Dear, Ms. Stephenson:

The Government Accountability Office (GAO) recently issued a report regarding the Department of Energy (DOE) and its management of fraud and improper payment risk.<sup>1</sup> GAO's review found several weaknesses in DOE's internal controls, including inconsistent invoice reviews and audits, a lack of centralized and detailed policies, and failure to adopt best practices, including the use of data analytics.

GAO also found that the data being generated by contractors – particularly Management and Operations (M&O) contractors – were not sufficiently detailed to allow for thorough oversight. These data limitations raise questions about how DOE will comply with statutory requirements to use data analytics and whether financial information generated for other purposes, such as its annual financial statements, is complete and accurate. There are also questions about the impact these limitations have on oversight and whether the current audit strategy is sufficient to identify concerns.

As part of its contract management and oversight of M&O contractors, DOE uses a cooperative audit strategy. As the Office of Inspector General (OIG) explained in its comments to GAO's report, the audit plans and programs used by M&O contractors' internal auditors are reviewed and approved by DOE contracting officers and the OIG. For non-M&O contractors, there is a backlog in audits, including some that have not been audited in eight years. To better understand the OIG's perspective regarding DOE's cooperative audit strategy, the audit backlog, and oversight of contractor costs, I request that you provide a response to the following questions:

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<sup>1</sup>Government Accountability Office, *Department of Energy: Use of Leading Practices Could Help Manage the Risk of Fraud and Other Improper Payments* (GAO-17-235) (Mar. 30, 2017).

1. Has the OIG evaluated the effectiveness of the Cooperative Audit Strategy since its inception in the early 1990s? If so, what were the results of the evaluation and what, if any, changes were made as a result?
2. Has the OIG evaluated whether the cooperative audit strategy impacts its independence? For example, does the action of reviewing or approving the audit programs of the contractors' internal auditors impact independence? Does the OIG's approval of audit plans create any impediments to later oversight of these programs by the OIG and if not, why not?
3. In your role overseeing the work of DOE's financial statement auditor, KPMG, what steps do you take to ensure the quality of these audits?
4. To what extent do KPMG's substantive test procedures rely on detailed transaction testing to detect material misstatements of DOE's account balances? If these procedures do not provide for detailed transaction testing, why not?
5. If detailed transaction testing is performed, does KPMG select transactions for testing using statistical methods? If so, how does KPMG ensure that it is sampling a complete population of transactions, given the difficulty GAO experienced in obtaining transaction-level cost data that reconciled with amounts charged to DOE by the M&O contractor for Sandia National Lab?
6. In its response to GAO's report, DOE stated that M&O contractors are responsible for implementing the requirements of the Fraud Reduction and Data Analytics Act, including performing data analytics. Do you agree with DOE's position, why or why not?
7. Is the OIG aware of any prohibitions on DOE's ability to perform data analytics with respect to the expenditures of M&O contractors? Please identify the source of any such prohibition.
8. What is the OIG's role in preventing and detecting fraud by DOE contractors?
9. Does the OIG currently employ or plan to employ data analytic techniques in any of its audits? If so, please describe.
10. Regarding the backlog of audits related to non-M&O contractors, does the OIG have ongoing or planned work to update the status of the backlog? What recommendations has the OIG made previously to address the backlog? What steps has DOE taken to implement past recommendations?

Thank you for your assistance with this matter. If you should have any questions, please contact my Committee staff, Sarah Garcia, at (202) 224-2627 or [Sarah\\_Garcia@hsgac.senate.gov](mailto:Sarah_Garcia@hsgac.senate.gov). Please send any official correspondence related to this request to [Amanda\\_Trosen@hsgac.senate.gov](mailto:Amanda_Trosen@hsgac.senate.gov).

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June 16, 2017  
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Sincerely,

A handwritten signature in blue ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
Ranking Member

cc: Ron Johnson  
Chairman