



OFFICE OF  
INSPECTOR GENERAL

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

February 28, 2023

Ben R. Wagner  
Inspector General  
Tennessee Valley Authority  
Office of the Inspector General  
400 West Summit Hill Drive, WT 2C  
Knoxville, TN 37902-1401

Dear Mr. Wagner,

Attached is the System Review Report from the external peer review of the Tennessee Valley Authority Office of the 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 Audit Organizations of Federal Offices of Inspector General*. On February 15, 2023, we provided you with a draft of the report for your review and comment. In your response, dated February 21, 2023, you had no comments on our System Review Report. We have included your response as Enclosure 2 in the final System Review Report.

We appreciate the cooperation and courtesies extended to us during the review. If you have any questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Sincerely,

A handwritten signature in cursive script that reads "Helen M. Albert".

Helen Albert  
Acting Inspector General

Attachments

cc: David Wheeler, Assistant Inspector General, Audits & Evaluations, Tennessee Valley Authority



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WASHINGTON, D.C. 20549

## System Review Report

February 28, 2023

Ben R. Wagner  
Inspector General  
Tennessee Valley Authority  
Office of the Inspector General  
400 West Summit Hill Drive, WT 2C  
Knoxville, TN 37902-1401

Dear Mr. Wagner,

We have reviewed the system of quality control for the audit organization of the Tennessee Valley Authority (TVA) Office of the Inspector General (OIG) in effect for the year ended September 30, 2022. A system of quality control encompasses the TVA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards*<sup>1</sup> and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of the TVA OIG in effect for the year ended September 30, 2022, has been suitably designed and complied with to provide the TVA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The TVA OIG has received an External Peer Review rating of *pass*.

### **Monitoring of GAGAS Engagements Performed by Independent Public Accountants**

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 the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to the TVA OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements 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 the TVA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards.

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<sup>1</sup> U.S. Government Accountability Office, *Government Auditing Standards* (GAO-21-368G, April 2021).

However, our objective was not to express an opinion; accordingly, we do not express an opinion on the TVA OIG's monitoring of work performed by IPAs.

## **Letter of Comment**

We have issued a letter dated February 28, 2023, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

## **Basis of Opinion**

Our review was conducted in accordance with *Government Auditing Standards* and the *CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.<sup>2</sup>

During our review, we interviewed the TVA OIG personnel and obtained an understanding of the nature of the TVA OIG audit organization, and the design of the TVA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with the TVA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the TVA OIG audit organization, with an emphasis on higher-risk engagements.

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 the TVA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the TVA OIG's policies and procedures on selected GAGAS engagements. 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.

Before concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with the TVA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. The enclosure to this report identifies the TVA OIG engagements we reviewed.

## **Responsibilities and Limitation**

The TVA OIG is responsible for establishing and maintaining a system of quality control designed to provide the TVA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and the TVA OIG's compliance based on our review.

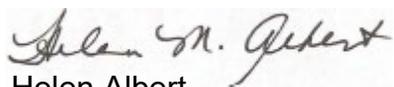
There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of

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<sup>2</sup> March 2020.

Mr. Wagner  
February 28, 2023  
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changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

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Helen Albert  
Acting Inspector General

Enclosures

## Scope and Methodology

We tested compliance with the TVA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of supporting documentation for 4 of 75 judgmentally selected audit reports issued between October 1, 2019, and September 30, 2022, and semiannual reporting for the same period. We also reviewed internal quality control reviews performed by the TVA OIG.

In addition, we reviewed the TVA OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor between October 1, 2021 and September 30, 2022. During this period, the TVA OIG contracted for the audit of its agency's fiscal year 2021 financial statements. The TVA OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

We met with personnel from the TVA OIG virtually and at the U.S. Securities and Exchange Commission's Headquarters in Washington, DC.

## Reviewed GAGAS Engagements Performed by the TVA OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
2021-15804	January 11, 2022	Remote Application and Desktop Virtualization
2021-17249	December 1, 2021	Vega Corporation of Tennessee - Contract No. 14626
2021-17331	November 16, 2021	Independent Report on the Agreed-Upon Procedures for TVA Fiscal Year 2021 Performance Measures
2021-15794	November 2, 2021	Corporate Contributions

## Reviewed Monitoring Files of the TVA OIG for Contracted GAGAS Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
2021-17306	November 16, 2021	Monitoring of Ernst & Young LLP's Audit of the Tennessee Valley Authority Fiscal Year 2021 Financial Statements

## TVA OIG Response to the Draft System Review Report



Office of the Inspector General  
Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

Ben R. Wagner  
Inspector General

February 21, 2023

Ms. Helen M. Albert  
Acting Inspector General  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Ms. Albert:

We have reviewed the draft System Review Report dated February 15, 2023, which summarized the results of your review of our audit organization's system of quality control for the fiscal year ended September 30, 2022. 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 on the draft System Review Report. I would like to thank you and your personnel for the work they did and the insightfulness and professionalism demonstrated throughout the review.

Sincerely,

A handwritten signature in black ink that reads "Ben R. Wagner". The signature is written in a cursive style.

Ben R. Wagner  
Inspector General