



Office of Inspector General  

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OFFICE OF TECHNOLOGY,  
FINANCIAL, AND ANALYTICS

AUDIT REPORT -

DEPARTMENT OF ENERGY'S FISCAL YEAR 2020  
CONSOLIDATED FINANCIAL STATEMENTS

DOE-OIG-21-03  
NOVEMBER 2020



**Department of Energy**  
Washington, DC 20585

November 16, 2020

MEMORANDUM FOR THE SECRETARY

A handwritten signature in cursive script, appearing to read "Teri L. Donaldson".

FROM: Teri L. Donaldson  
Inspector General

SUBJECT: INFORMATION: Audit Report on the "Department of Energy's Fiscal Year 2020 Consolidated Financial Statements"

Pursuant to requirements established by the *Government Management Reform Act of 1994*, the Office of Inspector General engaged the independent public accounting firm of KPMG LLP (KPMG) to perform the audit of the Department of Energy's Fiscal Year 2020 Consolidated Financial Statements.

KPMG audited the consolidated financial statements of the Department as of September 30, 2020, and 2019, and the related consolidated statements of net cost, changes in net position, custodial activity, and combined statements of budgetary resources for the years then ended. KPMG concluded that these consolidated financial statements are presented fairly, in all material respects, in conformity with United States generally accepted accounting principles and has issued an unmodified opinion based on its audits and the reports of other auditors for the years ended September 30, 2020, and 2019.

The Office of Inspector General issued notices of findings and recommendations to management throughout the audit. In nearly all instances, management concurred with the findings and recommendations. All findings will be detailed in management letters. The audit disclosed no instances of noncompliance or other matters required to be reported under applicable audit standards and requirements.

KPMG is responsible for the attached auditors' report and the opinions and conclusions expressed therein. The Office of Inspector General is responsible for technical and administrative oversight regarding KPMG's performance under the terms of the contract. Our review was not intended to enable us to express, and accordingly, we do not express, an opinion on the Department's financial statements, management's assertions about the effectiveness of its internal controls over financial reporting, or the Department's compliance with laws and regulations. Our monitoring review disclosed no instances where KPMG did not comply with applicable auditing standards.

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

Attachment

cc: Deputy Secretary  
Chief of Staff  
Acting Under Secretary of Energy  
Under Secretary for Science  
Acting Administrator for the National Nuclear Security Administration  
Deputy Chief Financial Officer

Audit Report: DOE-OIG-21-03

Department financial reports are available for download on the Office of the Chief Financial Officer website: <https://www.energy.gov/cfo/listings/agency-financial-reports>

## INDEPENDENT AUDITORS' REPORT



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

### Independent Auditors' Report

The Inspector General, United States Department of Energy, and  
The Secretary, United States Department of Energy

#### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States (U.S.) Department of Energy (Department), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of net cost, and changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2020 and 2019, and its net costs, changes in net position, and budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



#### *Emphasis of Matters*

As discussed in Note 7 to the consolidated financial statements, the Department has total direct loans and loan guarantees, net, of \$17 billion and \$16 billion as of September 30, 2020 and 2019, respectively, which are issued under the *Federal Credit Reform Act of 1990*. Subsidy costs of the direct loans and loan guarantees are intended to estimate the long-term cost to the U.S. Government of its loan program and include interest rate differentials, delinquencies, defaults, fees, and other cash flow items. A subsidy re-estimate is performed annually at September 30. Any adjustment resulting from the re-estimate is recognized as subsidy expense. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the consolidated financial statements, the cost estimates supporting the Department's environmental cleanup and disposal liabilities of \$512 billion and \$505 billion as of September 30, 2020 and 2019, respectively, are based upon assumptions regarding funding and other future action and decisions, many of which are beyond the Department's control. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the consolidated financial statements, the Department is involved as a defendant in several matters of litigation relating to its inability to accept commercial spent nuclear fuel by January 1, 1998, the date specified in the *Nuclear Waste Policy Act of 1982, as amended*. The Department has recorded liabilities for likely damages of \$31 billion and \$29 billion as of September 30, 2020 and 2019, respectively. Our opinion is not modified with respect to this matter.

#### **Other Matters**

##### *Interactive Data*

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

##### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the About This Report, Table of Contents, Message from the Secretary, Message from the Deputy Chief Financial Officer, Introduction to Principal Statements, Memorandum from Inspector General, and Other Information sections of the Department's Fiscal Year 2020 Agency Financial Report is presented for purposes of additional analysis and is not a required part of the basic consolidated



financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

##### *Internal Control over Financial Reporting*

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2020, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

##### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2020 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.



*Purpose of the Other Reporting Required by Government Auditing Standards*

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Washington, D.C.  
November 16, 2020

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Office of Inspector General (IG-12)  
Department of Energy  
Washington, DC 20585

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