



Department of Energy

Office of Science
Chicago Office
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AUG 29 2006

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Under Secretary for Science
S-4 FORS

SUBJECT: MANAGEMENT CONTROL REVIEW

In accordance with the Federal Managers' Financial Integrity Act, we have completed a summary management review of the management controls in effect for the Chicago Office (CH) for the 2006 fiscal year as of the date of this memorandum. This review included the government-owned and government-operated New Brunswick Laboratory which is a component of CH.

The summary management review conformed to Departmental guidelines, to include a review of whether the management controls of our program and administrative functions are in compliance with underlying management principles which incorporate the Government Accountability Office's Standards for Internal Controls in the Federal Government. The review included the consideration of the results of audit reports, internal management reviews, computer security reviews, and all other known information. In addition, the review considered the following areas:

- Environmental management
- Nuclear safety management
- Non-nuclear safety management

Areas of Departmental concern such as contractor oversight, information technology management, cyber security, project management, human capital management, financial control and reporting, and safety and health were given due consideration in the summary management review process. The CH staff are aware these areas require continued and vigilant management attention. We also considered our management controls in the applicable program and administrative areas described in the Secretary's FY 2005 Accountability Report to the Congress.

The results of the review indicate there is reasonable assurance that the management controls are working effectively and that program and administrative functions are performed economically and efficiently consistent with applicable laws; property, funds and other resources are safeguarded against waste, loss, or unauthorized use; and accountability for assets maintained. The concept of reasonable assurance recognizes that management controls must be cost effective, and there is always some potential for errors or irregularities to go undetected.

An evaluation of the financial management system for CH and the seven assigned management and operating contractors is currently underway. Preliminary results indicate that there will be no material weaknesses to report.



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This review includes assurances from our management and operating contractors concerning the conformance of their financial management systems. An evaluation will also be conducted to ensure that our system generally conforms to the principles and standards developed by the Comptroller General as implemented by the Office of Management and Budget (OMB) and with the requirements issued by the Joint Financial Management Improvement Program. An assurance report regarding the results of the evaluation of internal controls over financial reporting as required by OMB Circular A-123, Appendix A, and Departmental requirements will be issued by September 15, 2006.

This year's evaluation process highlighted one area of ongoing concern which, although determined not to be reportable, is of sufficient consequence to warrant mentioning. We continue to be concerned with the availability of program direction resources in the SC account to support the expanded responsibilities we have undertaken on behalf of the Office of Science. While there are a number of concerns regarding the New Brunswick Laboratory (NBL), its Assurance Memorandum has been provided directly to the Office of Security and Safety Performance Assurance. We maintain communication with the NBL Director on issues, but had no oversight role for the 2006 fiscal year.

CH is committed to delivering products and services in the most efficient and cost effective manner. Our management control program is intended to provide reasonable assurance that our operations are protected from waste, fraud, abuse, and mismanagement. Strong and effective management controls are vital to our success and we strive to monitor, maintain, and improve upon them.

The Assurance Memoranda for the following site offices and respective laboratories have been provided directly to George Malosh, Office of Science:

- Ames Site Office
- Argonne Site Office
- Berkeley Site Office
- Brookhaven Site Office
- Fermi Site Office
- Princeton Site Office
- Stanford Site Office

Should we be able to assist further in any way, CH stands ready and willing to help.



Robert C. Wunderlich
Manager