



Department of Energy
Strategic Petroleum Reserve Project Management Office
900 Commerce Road East
New Orleans, Louisiana 70123

August 18, 2006

MEMORANDUM FOR ASSISTANT SECRETARY FOR FOSSIL ENERGY

THRU: Office of Budget and Financial Management, FE-3
Office of Fossil Energy

THRU: John D. Shages, Deputy Assistant Secretary for Petroleum Reserves, FE-40

 8/23/06

FROM: William C. Gibson, Jr., Project Manager, Strategic Petroleum Reserve,
FE-44

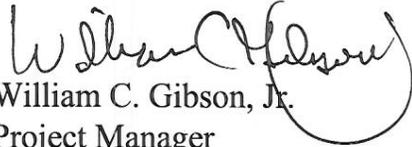
SUBJECT: Management Control and Financial Management System Review

In accordance with the Federal Managers' Financial Integrity Act, I have completed a Summary Management Review of the management controls for the Strategic Petroleum Reserve Project Management Office (SPRPMO) in effect as of the fiscal year ending September 30, 2006. The review was performed in conformity with Departmental guidelines and accordingly included a review of whether the management controls were in compliance with underlying management principles which incorporate the General Accounting Office's Standards for Internal Controls in the Federal Government. The review included the consideration of the results of audit reports, internal management reviews, and assurances from the management and operating contractor under my cognizance, and all other known information. In addition, our review considered the areas of (1) environmental management, (2) safeguards and security, (3) non-nuclear safety management, and (4) quality assurance, and no problems were identified. The results of the review indicate there is reasonable assurance that the management controls were working effectively and that program and administrative functions were performed in an economical and efficient manner consistent with applicable laws; property, funds and other resources were safeguarded against waste, loss, unauthorized use or misappropriation; obligations and costs were proper; and accountability for assets was 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.

The above review did not disclose any reportable problems.

An evaluation of the financial management system for the Strategic Petroleum Reserve Project Management Office has also been conducted in accordance with DOE guidelines. The results of the review indicate that the system generally conforms with Federal financial management system requirements. In addition, the financial management systems of the Management and Operating contractor under my cognizance are in conformance with DOE accounting policies and procedures.

The financial management systems evaluation did not disclose any financial management system reportable nonconformances.


William C. Gibson, Jr.
Project Manager

cc:
Chief Financial Officer, CF-1
Director, Office of Internal Review, CF-1.2