



Office of the Inspector General

Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

Jill M. Matthews
Acting Inspector General

November 14, 2017

The Honorable V. Lynn Evans
Tennessee Valley Authority Board of Directors
V. Lynn Evans, CPA
119 S. Main Street, Suite 500
Memphis, Tennessee 38103

Dear Ms. Evans:

**2017-15507 – MONITORING OF ERNST & YOUNG LLP'S AUDIT OF THE TENNESSEE VALLEY
AUTHORITY FISCAL YEAR 2017 FINANCIAL STATEMENTS**

The Tennessee Valley Authority (TVA) contracted with the independent certified public accounting firm of Ernst & Young LLP (EY) to audit its consolidated balance sheet as of September 30, 2017, and the related consolidated statements of operations, comprehensive income (loss), changes in proprietary capital, and cash flows for the year then ended. In addition, the contract called for the auditor's examination of TVA's internal control over financial reporting as of September 30, 2017, and review of TVA's fiscal year 2017 interim financial information filed quarterly on Form 10-Q with the Securities and Exchange Commission. The contract required EY's work be performed in accordance with *Government Auditing Standards (GAS)*.

Under the Inspector General Act of 1978, as amended, the Inspector General is responsible for taking appropriate steps to assure any work performed by nonfederal auditors, including EY, complies with standards established by the Comptroller General of the United States for audits of Federal establishments. The Chief Financial Officers Act of 1990 also places responsibilities on the Inspector General regarding TVA's annual financial statement audit. In keeping with these statutory responsibilities, my office reviewed EY's reports and related audit documentation, inquired of its representatives, and performed other procedures as we deemed appropriate in the circumstances.

Our review, as differentiated from an audit in accordance with GAS, was not intended to enable us to express, and we do not express, an opinion on TVA's financial statements or the effectiveness of its internal control over financial reporting. EY is responsible for the auditor's reports dated November 14, 2017, and the conclusions expressed in those reports. However, our review disclosed no instances where EY did not comply, in all material respects, with GAS.

Sincerely,

Jill M. Matthews

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cc: Mr. Randy Gregson, Partner
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The Honorable Richard C. Howorth, Chair
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