

AUGUST 28, 2007

QUALITY CONTROL REVIEW REPORT

OFFICE OF AUDITS

QUALITY CONTROL REVIEW OF
BECKER & COMPANY, P.C.'S AUDIT OF GODDARD
EMPLOYEES' WELFARE ASSOCIATION FINANCIAL
STATEMENTS FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2006

OFFICE OF INSPECTOR GENERAL



National Aeronautics and
Space Administration

Acronyms

AICPA	American Institute of Certified Public Accountants
CPA	Certified Public Accountant
CPE	Continuing Professional Education
FY	Fiscal Year
GAGAS	Government Accountability Office's "Government Auditing Standards, 2003 Revision"
GEWA	Goddard Employees' Welfare Association
NASBA	National Association of State Boards of Accountancy
OIG	Office of Inspector General

National Aeronautics and
Space Administration

Office of Inspector General
Washington, DC 20546-0001



August 28, 2007

Ms. Christine A. Becker
Becker & Company, P.C.

SUBJECT: Quality Control Review of Becker & Company, P.C.'s Audit of Goddard Employees' Welfare Association Financial Statements for Fiscal Year Ended September 30, 2006 (Report No. IG-07-021, Assignment No. A-07-005-00)

The audit firm of Becker & Company, P.C. performed an audit of the Goddard Employees' Welfare Association (GEWA) financial statements for the fiscal year ended September 30, 2006 (FY 2006). The Inspector General Act of 1978, as amended, section 4, paragraph (b)(1)(C), directs each Inspector General, with respect to the organization within which the office is established, to take appropriate steps to ensure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General.

Our quality control review was to determine whether Becker & Company performed its audit in accordance with the Government Accountability Office's "Government Auditing Standards, 2003 Revision" (GAGAS), issued by the Comptroller General of the United States. GAGAS standards apply to audits of Government organizations, programs, activities, and functions and prescribe general standards (including independence, professional judgment, competence, quality control, and assurance requirements), fieldwork standards, and reporting standards. Additionally, GAGAS incorporates the generally accepted auditing standards of the American Institute of Certified Public Accountants (AICPA) for fieldwork and reporting.¹ See Enclosure 1 for details on the scope and methodology of our review, requirements for reviews of exchanges and morale support activities, and our summary of the latest peer review of Becker & Company. See Enclosure 2 for the results of the Becker & Company audit of GEWA for FY 2006.

Background. GEWA is located at the Goddard Space Flight Center in Greenbelt, Maryland. GEWA promotes the social, athletic, educational, cultural, and welfare

¹ The AICPA is the national professional organization for all Certified Public Accountants (CPAs). According to the AICPA, its mission is to provide members with the resources, information, and leadership that enable the members to provide valuable services in the highest professional manner to benefit the public as well as employers and clients. In fulfilling its mission, the AICPA works with State CPA organizations and gives priority to those areas where public reliance on CPA skills is most significant.

interests of its members by supporting activities such as special interest clubs, an employee recreation center, an exchange store, a visitors' center, a cafeteria, and a post office. In FY 2006, GEWA revenues totaled approximately \$699,000.

Becker & Company is located in Lanham, Maryland. According to its Web site, the firm is experienced in advising companies in the areas of business valuation, mergers and acquisitions, business and strategic planning, ownership and succession planning, compensation and incentive packages, performance standards, accounting, auditing, and taxes.

Christine A. Becker, Partner, Becker & Company, signed management's response to the draft of this report (Enclosure 3) as a representative of MargolisBecker, LLC, the successor firm to Becker & Company. Notwithstanding the new name, the Maryland Department of Assessments and Taxation continued to recognize Becker & Company as a legally active Maryland corporation when the firm renewed its license on June 20, 2007. Accordingly, we have addressed our report to Christine A. Becker, Becker & Company.

Review Results. Becker & Company did not hold a permit from the Maryland State Board of Public Accountancy (the Board)² that would have authorized Becker & Company to provide CPA services to GEWA in FY 2006. Accordingly, we are referring Becker & Company to the Board.

Becker & Company's audit work on the FY 2006 audit of GEWA generally met applicable GAGAS standards with the following exceptions:

- The engagement partner and principal auditor did not meet their continuing professional education (CPE) requirements (Finding A).
- The audit report did not include a required reference to GAGAS (Finding B).
- The audit report did not include a required description of the auditor's testing of internal controls or refer to a report containing such information (Finding C).
- The audit report title did not include the word "independent" (Finding D).
- Evidence of audit supervision was not documented (Finding E).

² The Board qualifies, licenses, and regulates Maryland-based firms that offer public accounting services as well as individuals seeking licensure to practice as a CPA. The Board regulates the practice of public accountancy under the provisions of Title 2, Business Occupations and Professions Article, Annotated Code of Maryland, and the Code of Maryland Regulations, Title 9, Subtitle 24. The Board investigates complaints against licensees and complaints related to unlicensed practice and may issue a reprimand, suspend or revoke a license, or assess a civil penalty up to \$5,000 for violations of the law or the regulations.

Management Comments. In response to a draft of this report, Ms. Becker acknowledged that the firm did not hold a permit from the Maryland State Board of Public Accountancy when it provided CPA services to GEWA. In response to Finding A, Ms. Becker provided documentation showing that the principal auditor and engagement partner completed their 24-hour governmental CPE requirements in February and March 2007, respectively. She advised that the 80-hour CPE requirement will not be met because Becker & Company does not plan to participate in any future governmental audits. Ms. Becker concurred with Findings B, C, and D and made appropriate changes to the audit report. In response to Finding E, Ms. Becker advised that the firm had included evidence of supervision in the audit workpapers (the full text of management's comments is in Enclosure 4).

Evaluation of Management's Comments. Management comments on the findings and recommendations for Findings B, C, D, and E were responsive. While management comments on Finding A were only partially responsive, the comments met the intent of the recommendation. Therefore, all recommendations are resolved and closed.

Referral to the Board

We are referring Becker & Company to the Board for not complying with CPA licensing requirements set forth by Maryland laws pertaining to public accountancy. The referral also asks that the Board advise our office of any action taken or planned on the referral.

Becker & Company did not hold a permit from the Board when providing CPA services to GEWA in FY 2006. Applicable permit requirements are as follows:

- Title 2, Business Occupations and Professions, Annotated Code of Maryland, section 2-602, states that, except for a licensed CPA who operates a business as a sole practitioner, a person may not operate a business through which certified public accountancy is practiced unless the business is a partnership, LLC, or corporation holding a permit issued by the Board.
- Title 2, Business Occupations and Professions, Annotated Code of Maryland, section 2-604, states that, except for a licensed CPA who operates a business as a sole practitioner, a person may not represent to the public, by use of a title, including "certified public accountants," by description of services, methods, or procedures, or otherwise, unless the person holds a permit issued by the Board or is otherwise authorized to operate a business through which certified public accountancy is practiced.

According to the Board, Becker & Company's permit to practice certified public accountancy expired July 19, 2006. The firm's audit engagement letter to GEWA was dated September 5, 2006, and its audit report was dated December 15, 2006. The engagement partner stated that Becker & Company held a Board permit when it

performed the GEWA audit and provided to the NASA Office of Inspector General (OIG) a copy of a renewal notice as evidence of the permit. On February 12, 2007, the Board advised the OIG that the form that Becker & Company provided was a “license/permit renewal notice” and that “Becker & Company appears to have let the permit expire on July 19, 2006.” Since Becker & Company did not hold a Board permit during the period of the GEWA audit, the firm did not comply with applicable Maryland law.

Management’s Comments on the Referral. Ms. Becker acknowledged that Becker & Company did not hold a permit from the Board when providing CPA services to GEWA in FY 2006. Documentation provided by Ms. Becker indicates that the State of Maryland renewed the firm’s permit in June 2007. Ms. Becker stated that the only issue was whether she was licensed as a CPA in Maryland during and at the issuance of the audit report.

Evaluation of Management’s Comments on the Referral. Ms. Becker incorrectly asserted that Becker & Company was not required to have a permit because she held a CPA license at the time of the audit. Title 2, Business Occupations and Professions, Annotated Code of Maryland, section 2-602, states that, except for a licensed CPA who operates a business as a sole practitioner, a person may not operate a business through which certified public accountancy is practiced unless the business is a partnership, LLC, or corporation holding a permit issued by the Board. Ms. Becker did not operate Becker & Company as a sole practitioner since Becker & Company was a public company. Accordingly, the Board’s requirement was that Becker & Company hold a permit at the time it performed the GEWA audit. Title 2, section 2-604 references related requirements regarding representations to the public. We are referring Becker & Company to the Maryland State Board of Accountancy for noncompliance with Title 2, Business Occupations and Professions, Annotated Code of Maryland, sections 2-602 and 2-604.

Finding A

Engagement Partner and Principal Auditor Did Not Meet CPE Requirements. The engagement partner and the principal auditor assigned to the GEWA audit did not obtain the minimum number of CPE credits as required by GAGAS. Specifically, GAGAS, section 3.45, states the CPE requirements for auditors performing work under GAGAS:

[E]ach auditor performing work under GAGAS should complete, every 2 years, at least 80 hours of CPE that directly enhance the auditor’s professional proficiency to perform audits and/or attestation engagements. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the entity operates. At least 20 hours of the 80 should be completed in any 1 year of the 2-year period.

GAGAS also states that individual auditors have 2 years from the date they start an audit conducted under GAGAS to comply with the CPE requirements. Becker & Company started the GEWA audit in September 2006. During calendar years 2005 and 2006, the engagement partner and the principal auditor only completed 54 and 40 CPE credits, respectively; none of the CPE credits were directly related to government auditing, the government environment, or the specific or unique environment in which the entity operated. To be compliant with GAGAS, the engagement partner and the principal auditor need to complete the required CPE credits by September 2008.

Recommendation 1. Becker & Company should ensure that the engagement partner and audit staff meet all CPE requirements in accordance with GAGAS by September 2008.

Management's Response. Ms. Becker provided copies of several "Certificates of Completion" as evidence that she and the principal auditor on the GEWA audit had each taken 24 hours of CPE after the NASA OIG completed its quality control review of Becker & Company and before the September 2008 deadline. The certificates identified courses that directly related to government auditing and the government environment. Ms. Becker stated that Becker & Company does not plan to participate in any future governmental audits and, therefore, the 80-hour training requirement will not be met.

Evaluation of Management's Response. The NASA OIG acknowledges that, based on the referenced Certificates of Completion, Ms. Becker and the principal auditor on the GEWA audit have completed the 24-hour, government-related training requirement. The courses were completed after the NASA OIG quality control review of Becker & Company was completed and before the September 2008 deadline. Given that Becker & Company does not intend to perform future government audits, completion of required GAGAS training serves no purpose.

Finding B

Required Reference to GAGAS Not Included in the Audit Report. Becker & Company did not include a statement in its audit report that the audit was done in accordance with GAGAS. GAGAS, section 5.05 states: "Audit reports should state that the audit was performed in accordance with GAGAS." Except as described in Finding E, the OIG's review of the audit workpapers confirmed that the audit work performed by Becker & Company generally met GAGAS. Nevertheless, a reader of the financial statement audit report would be unable to conclude that the audit work complied with GAGAS.

Recommendation 2. Becker & Company should revise the FY 2006 audit report to include a statement that the audit was done in accordance with GAGAS.

Management's Response. Becker & Company revised the GEWA audit report to include a statement that the report was done in accordance with GAGAS.

Finding C

No Reference to Internal Controls in Audit Report. Becker & Company's audit report did not include a reference to a separate report on internal controls that it had prepared, as required by GAGAS, section 5.08(2). Section 5.08(2) states that a report on internal controls should be included in the audit report or a reference to a separate report should be provided. As a result of not referring to the report on internal controls, a reader of the financial statement audit report has no information on whether internal controls were audited and, if so, whether they were effective.

Recommendation 3. Becker & Company should revise the GEWA FY 2006 audit report to include a reference to its report on internal controls, as required by GAGAS.

Management's Response. Becker & Company revised the GEWA audit report to include a reference to its report on internal controls.

Finding D

Report Title Missing the Word "Independent." The audit report title does not include the required word, "Independent." AICPA Professional Standard, AU Section 508, "Reports on Audited Financial Statements," paragraph .08, states that one of the basic elements of a report is a title that includes the word "independent." A reader of the report cannot determine that Becker & Company was independent when it performed the audit of GEWA.

Recommendation 4. Becker & Company should revise the GEWA FY 2006 audit report to include the word "independent" in the report title, as required by AICPA Professional Standard, AU Section 508.

Management's Response. Becker & Company revised the GEWA audit report to include the word "independent" in the report title.

Finding E

Workpapers Show No Evidence of Supervisory Review. The audit workpapers show no evidence that the audit work performed by the principal auditor was supervised or reviewed by Becker & Company management, as required by GAGAS, section 4.03(a). Section 4.03(a) lists the three AICPA generally accepted standards of fieldwork, one of which states: “The work is to be adequately planned, and assistants, if any, are to be properly supervised.” According to the engagement partner for the GEWA audit, evidence of such supervision and review would appear on Form CX – 12: Supervision, Review, and Planning Form. Our review disclosed that Becker & Company management did not complete this form for the FY 2006 GEWA audit.

Recommendation 5. Becker & Company should ensure that audit work is properly supervised and reviewed and that evidence of such supervision and review is shown in the workpapers for any future audits of GEWA.

Management’s Response. Ms. Becker stated, “Evidence of proper supervision has been included in the audit workpapers.”

Evaluation of Management’s Response. Becker & Company provided us with a completed Form CX – 12 on August 20, 2007.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. David L. Gandrud, Project Manager, at 650-604-2672 or Mr. John Pacious, Auditor, at 202-358-7071. See Enclosure 4 for the report distribution. The review team members are listed inside the back cover of this report.

signed

Evelyn R. Klemstine
Assistant Inspector General for Auditing

4 Enclosures

QUALITY CONTROL REVIEW PROCESS

Scope and Methodology

We conducted a quality control review of the Becker & Company's audit of the FY 2006 GEWA financial statements. We performed our review February 5 through 7, 2007, at the office of Becker & Company, Lanham, Maryland. Our review covered areas related to Becker & Company's compliance with GAGAS. We focused the review on auditor qualifications, audit planning, audit supervision, conduct of the audit work, and audit reporting.

In conducting our review, we assessed the documentation gathered and prepared by Becker & Company, including documentation used to support the audit report, and discussed our review with Becker & Company personnel. We confirmed the status of the engagement partner's license through discussions with officials of the Maryland State Board of Public Accountancy and the Maryland Department of Labor, Licensing and Regulation, Division of Occupational and Professional Licensing. We identified Becker & Company as a public company through discussions with an official of the Maryland Department of Assessments and Taxation, Taxpayer Services Division, and by querying the Web site for the Maryland Department of Assessments and Taxation, Taxpayer Services Division. We determined that Becker & Company did not hold a permit to provide CPA services based on information provided by the Board and the Maryland Department of Labor, Licensing and Regulation, Division of Occupational and Professional Licensing. We did not use computer-processed data in performing our review.

For developing the referral to the Maryland State Board of Accountancy, we used the AICPA and National Association of State Boards of Accountancy (NASBA) Uniform Accountancy Act, NASBA Uniform Accountancy Act Rules, and NASBA Complaint Referral Handbook publications. The AICPA and the NASBA jointly publish the Uniform Accountancy Act. The Act is designed to eliminate the differing requirements of CPA certification, reciprocity, temporary practice, and other aspects of state accountancy legislation in the Nation's 55 licensing jurisdictions and to facilitate interstate practice and mobility of CPAs. The Uniform Accountancy Act Rules are designed to implement specific provisions in the Uniform Accountancy Act. NASBA developed the Complaint Referral Handbook to provide guidance to Federal agencies on filing complaints with state boards of accountancy against accountants who appear to be violating professional auditing standards.

According to the NASBA Complaint Referral Handbook, Federal and state agencies can file a complaint with the Board by sending it a copy of the letter that was sent to the CPA

firm disclosing significant deficiencies in the work performed or other problems. In addition, the Board should be sent a copy of the CPA firm's issued report that was reviewed by the Government agency. The Board's CPA consultant will review the Government agency's report as to deficiencies, request explanation from the CPA firm, and determine the significance of the deficiencies or other problems. If the CPA consultant determines that significant deficiencies probably exist, then the CPA firm will be called upon to explain why. If significant deficiencies are found, the Board will hold a hearing, evaluate the seriousness of the problem, and penalize those licensees involved. Penalties may range from requiring more education in the areas of deficiency up to canceling a CPA's license for either a set period of time or indefinitely.

Exchange and Morale Support Activities

Inspector General Act. The Inspector General Act of 1978, as amended, requires an agency's Inspector General to take appropriate steps to ensure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General.

NASA Requirement. NASA Policy Directive 9050.6I, "NASA Exchange and Morale Support Activities," November 10, 2004, authorizes Center Directors to establish activities to contribute to the efficiency, welfare, and morale of NASA personnel. The Directive requires that financial records be maintained and that an annual audit be conducted. The Directive also requires the Center Chief Financial Office to monitor compliance with the Directive and to review financial statements and audit reports to ensure that the Center's exchange and morale support activities are operated in a financially sound and responsible manner.

External Peer Review

We reviewed the most recent peer review report on Becker & Company, issued on November 5, 2003, and prepared by Randall L. Snyder, CPA, for the year ended August 31, 2003. The report stated that the system of quality control for the accounting and auditing practice of Becker & Company was designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA. The peer review found that Becker & Company had complied with the quality control standards during the year ended August 31, 2003, providing the firm with reasonable assurance of conforming to professional standards. The report gave no indication that a separate management letter was issued.

**RESULTS OF THE BECKER &
COMPANY AUDIT OF THE
GODDARD EMPLOYEES'
WELFARE ASSOCIATION FOR
FY 2006**

Becker & Company Audit Report

On December 27, 2006, Becker & Company issued a report to GEWA on the firm's audit of GEWA's statement of financial position, statement of activities, and statement of cash flow as of September 30, 2006. Becker & Company reported that it had performed the audit in accordance with auditing standards generally accepted in the United States of America. It further stated that the financial statements present fairly, in all material respects, the financial position of GEWA as of September 30, 2006, and the changes in its net assets and its cash flows for the year then ended.

Becker & Company Management Letter

On December 15, 2006, Becker & Company issued a management letter to GEWA that identified the following non-reportable conditions:

- personnel files were not maintained in a central location for each employee and were not complete;
- employee time records submitted to an outside payroll service were not complete and accurate; and
- the exchange store continued to carry slow-moving inventory.

The letter stated that GEWA needed to establish personnel files for each employee and maintain them in a central location. Becker & Company specified that each employee file should contain an employment application, new employee investigation (if applicable), date of employment, pay rates, changes in pay rates and position, authorizations for payroll deduction, W-4 form, and employee termination date (if applicable).

Becker & Company suggested that since an outside service organization is used to process the GEWA payroll, GEWA should verify that time records submitted for processing are complete and accurate. Finally, Becker & Company commented that the Goddard exchange store, run by GEWA, continued to carry slow-moving inventory and

that management could improve the way it “merchandises out” a slow-moving item before it becomes obsolete.

MANAGEMENT COMMENTS



MargolisBecker

The Business and Management Advisors
www.MargolisBecker.com

June 26, 2007

Mr. John Pacious, Auditor
NASA HQ
300 E Street SW, Suite 8Y53
Washington, DC 20546

RE: Becker & Company, P.C.
Draft Review Report A-07-005-00

Dear Mr. Pacious:

We offer the following comments in response to your letter dated June 11, 2007.

- o The non-license issue was an oversight on my part and was renewed last week. Evidence of that is attached. According to the Maryland Board of Accountancy, the only issue would have been if I had not been licensed as a CPA in Maryland during and at the issuance of the audit report.
- o Finding A – 24 hours of CPE in governmental auditing were completed by Lance Bigelow and Christine Becker in 2007. Those certificates are enclosed. This accounting firm does not plan to participate in any future governmental audits, so the 80 hour requirement will not be met.
- o Finding B – The audit report has been revised and is enclosed.
- o Finding C – The audit report has been revised and is enclosed.
- o Finding D – The audit report has been revised and is enclosed.
- o Finding E - Evidence of proper supervision has been included in the audit workpapers.

I trust that your findings have been adequately addressed.

Sincerely,

MARGOLISBECKER, LLC

Christine A. Becker, CPA

CAB:ss
Enclosures

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omitted

REPORT DISTRIBUTION

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Non-NASA Organizations

Executive Director, Maryland State Board of Public Accountancy

Major Contributors to the Report:

Catherine Schneider, Director, Financial and Institutional Management Directorate

David Gandrud, Project Manager

John Pacious, Auditor

AUGUST 28, 2007

REPORT No. IG-07-021



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In order to help us improve the quality of our products, if you wish to comment on the quality or usefulness of this report, please send your comments to Ms. Jacqueline White, Director of the Quality Control Division, at Jacqueline.White@nasa.gov or call 202-358-0203.

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To suggest ideas for or to request future audits, contact the Assistant Inspector General for Auditing. Ideas and requests can also be mailed to:

Assistant Inspector General for Auditing
NASA Headquarters
Washington, DC 20546-0001

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To report fraud, waste, abuse, or mismanagement, contact the NASA OIG Hotline at 800-424-9183 or 800-535-8134 (TDD). You may also write to the NASA Inspector General, P.O. Box 23089, L'Enfant Plaza Station, Washington, DC 20026, or use <http://www.hq.nasa.gov/office/oig/hq/hotline.html#form>. The identity of each writer and caller can be kept confidential, upon request, to the extent permitted by law.