



UNITED STATES DEPARTMENT OF COMMERCE  
The Inspector General  
Washington, D.C. 20230

## System Review Report

September 26, 2012

The Honorable Paul K. Martin  
Inspector General  
National Aeronautics and Space Administration  
Office of Inspector General  
300 E Street SW  
Washington, DC 20546-0001

Dear Inspector General Martin:

We have reviewed the system of quality control for the audit organization of the National Aeronautics and Space Administration (NASA) Office of Inspector General (OIG) in effect for the year ended March 31, 2012. A system of quality control encompasses NASA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*, which describe the elements of quality control. NASA OIG is responsible for designing a system of quality control and complying with it to provide NASA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and NASA OIG's compliance therewith based on our review.

We conducted our review in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed NASA OIG's personnel and obtained an understanding of the nature of NASA OIG's audit organization and the design of NASA OIG's system of quality control sufficient to assess the risks implicit in the organization's audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with NASA OIG's system of quality control. The engagements selected represented a reasonable cross-section of NASA OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with NASA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for NASA OIG's audit organization. In addition, we tested compliance with NASA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of NASA OIG's policies and procedures on selected engagements. We based our review on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.



There are inherent limitations in the effectiveness of any system of quality control and, therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a quality control system to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

The enclosure to this report identifies the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of NASA OIG, in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide NASA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. NASA OIG has received a peer review rating of *pass*.

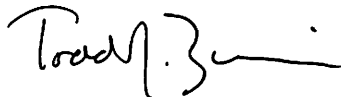
As is customary, we have issued a letter dated September 26, 2012, that sets forth findings that we did not consider of sufficient significance to affect the opinion we express in this report.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to NASA OIG's monitoring of engagements performed by independent public accountants (IPAs) under contract where the IPA served as the principal auditor. Please note that monitoring of an engagement performed by an IPA is not an audit and, therefore, not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether NASA OIG had controls to ensure the IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and, accordingly, we do not express an opinion on NASA OIG's monitoring of work performed by IPAs.

We did not make any comments related to NASA OIG's monitoring of engagements performed by IPAs in the above-referenced letter dated September 26, 2012.

If you have any questions concerning this report, please contact me at (202) 482-4661 or Ann Eilers, Principal Assistant Inspector General for Audit and Evaluation, at (202) 482-2754.

Sincerely,



Todd J. Zinser

Enclosure

## Enclosure

### SCOPE AND METHODOLOGY

We tested compliance with NASA OIG's audit system of quality control to the extent we considered appropriate. These tests included a review of 5 of 17 audit reports issued during the period April 1, 2011, through March 31, 2012 (see table 1 below). We also reviewed 11 internal quality control reviews NASA OIG issued between August 17, 2011, and July 10, 2012.

**Table 1. Reviewed Engagements Performed by NASA OIG**

Report Number	Report Date	Report Title
IG-11-019	June 8, 2011	NASA's Management of the Mars Science Laboratory Project
IG-11-023	August 10, 2011	NASA's Payments for Academic Training and Degrees
IG-12-006	December 5, 2011	NASA Faces Significant Challenges in Transitioning to a Continuous Monitoring Approach for Its Information Technology Systems
IG-12-007	December 8, 2011	NASA's Management of Moon Rocks and Other Astromaterials Loaned for Research, Education, and Public Display
IG-12-008	December 19, 2011	NASA's Infrastructure and Facilities: An Assessment of the Agency's Real Property Master Planning

Source: DOC OIG

In addition, we reviewed NASA OIG's monitoring of engagements performed by independent public accountants (IPAs) where the IPA served as the principal auditor during the period October 1, 2010, through September 30, 2011 (see table 2 below). During the period, NASA OIG contracted for a total of four reports related to audits of NASA's fiscal year (FY) 2011 financial statements. We reviewed monitoring activities for the four reports associated with NASA's financial statement audit.

**Table 2. Reviewed Monitoring Files of NASA OIG for Contracted Engagements**

Report Number	Report Date	Report Title
IG-12-001	October 12, 2011	FY 2011 Financial Statement Audit Network Penetration Testing
IG-12-003	November 23, 2011	FY 2011 NASA Financial Statement Audit Management Letter
IG-12-004	November 15, 2011	Audit of the National Aeronautics and Space Administration's Fiscal Year 2011 Financial Statements
IG-12-005	November 15, 2011	Audit of the National Aeronautics and Space Administration's Fiscal Year 2011 Special Purpose Financial Statements

Source: DOC OIG

We used the *CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, dated March 2009, while conducting our review at the Washington, DC, office of NASA OIG.