

National Aeronautics and Space Administration

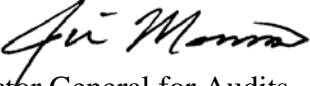
Office of Inspector General
Washington, DC 20546-0001



January 10, 2011

TO: Michael Schini
Partner, PricewaterhouseCoopers LLP

William French
Branch Manager, San Gabriel Valley, Defense Contract Audit Agency

FROM: Jim Morrison 
Assistant Inspector General for Audits

SUBJECT: Final Memorandum on the Quality Control Review of the
PricewaterhouseCoopers LLP and the Defense Contract Audit Agency
Office of Management and Budget Circular A-133 Audit of the Jet
Propulsion Laboratory for the Fiscal Year Ended September 27, 2009
(Report No. IG-11-011; Assignment No. A-10-015-00)

The audit firm PricewaterhouseCoopers LLP (PwC) and the Defense Contract Audit Agency (DCAA) jointly performed the Jet Propulsion Laboratory (JPL) single audit for the fiscal year (FY) ended September 27, 2009. A single audit is required by the Office of Management and Budget (OMB) Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations," for applicable entities that expend \$500,000 or more of Federal awards during its fiscal year. As the Federal cognizant agency for the single audits of JPL, the NASA Office of Inspector General (OIG) conducted a quality control review of the FY 2009 single audit. The objective of our quality control review was to determine whether PwC and DCAA conducted their audits in accordance with the Government Accountability Office's *Government Auditing Standards, July 2007 Revision* (GAGAS), the American Institute of Certified Public Accountants' generally accepted auditing standards (GAAS), as well as the auditing and reporting requirements of OMB Circular A-133 and its related Compliance Supplement effective March 2009. See Enclosure 1 for details of the scope and methodology of our review. See Enclosure 2 for the results of the PwC and DCAA audit of JPL for FY 2009. Management's comments are provided in Enclosure 3.

Executive Summary

PwC's and DCAA's audit work substantially met GAGAS, GAAS, and the auditing and reporting requirements of OMB Circular A-133 except that DCAA did not consolidate audit findings related to the same issue, which made it difficult for the users of the audit

report to understand and identify the separate and specific issues affecting JPL. We recommend that, in the future, DCAA present audit findings related to the same issue as a single audit finding.

In addition, PwC and DCAA did not issue their audit reports timely. As a result, JPL did not submit its reporting package to the Federal Audit Clearinghouse by the required due date. We recommended that PwC and DCAA develop procedures to ensure that future reporting packages can be filed by the due date.

Background

JPL is a federally funded research and development facility managed by the California Institute of Technology (Caltech) for NASA. JPL reported expenditures of \$1.85 billion under a cost-reimbursable research and development contract with NASA during FY 2009.¹ This contract is the only Federal award and major program at JPL.

In its report dated September 9, 2010, PwC expressed an unqualified audit opinion on the FY 2009 financial statements and the Schedule of Expenditures of Federal Awards. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles. PwC and DCAA both reported on internal control and compliance over the major program. PwC was responsible for auditing for the compliance requirements applicable to JPL's major Federal program, except for three compliance requirements tested by DCAA. In the audit report dated September 9, 2010, PwC did not report any deficiencies in internal control or instances of noncompliance based on their procedures but did report a qualified audit opinion on JPL's compliance with requirements applicable to the research and development program based on DCAA's audit report. DCAA expressed a qualified audit opinion on JPL's compliance in its report dated July 9, 2010, because certain audit procedures could not be performed and because 71 instances of noncompliance and/or internal control deficiencies were identified. Four of the instances of noncompliance and/or internal control deficiencies were reported as material weaknesses.² See Enclosure 2 for the results of the PwC and DCAA audit of JPL for FY 2009.

DCAA GAGAS Modification

DCAA does not have an external opinion on its quality control system. As such, DCAA modified its audit opinion, dated July 9, 2010, noting that DCAA conducted its audit in accordance with GAGAS, except for not having an external opinion on its quality control

¹ Of the \$1.85 billion expended in FY 2009 for the research and development major program, \$767,000 was expended from funding received under the American Recovery and Reinvestment Act of 2009 (ARRA).

² A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

system. The Department of Defense Inspector General (DoD IG) issued an opinion on DCAA's quality control system in a report dated May 1, 2007, titled "Review of the Defense Contract Audit Agency Quality Control System" (D-2007-6-006). Although DoD IG found serious audit quality problems at DCAA, it was DoD IG's opinion that DCAA had an adequate quality control system. Later, a July 2009 GAO draft report, "DCAA Audits: Widespread Problems with Audit Quality Require Significant Reform" (GAO-09-468), identified significant audit quality problems at DCAA offices nationwide, including instances of noncompliance with GAGAS. As a result of these two reports, the DoD IG issued a letter to DCAA on August 24, 2009, reporting that it is "not prudent to allow the adequate opinion from our May 2007 report to carry forward." This letter appeared to have the effect of rescinding or modifying DoD IG's opinion on DCAA's quality control system. According to the DCAA audit team, and as reported in the GAO report, DCAA has been making improvements in its internal processes and implementing recommendations made by the GAO. However, as of November 2010, DCAA had not received an evaluation of its quality control systems via a peer review performed by DoD IG or any other external party.

Since DCAA had not had a peer review performed in the last 3 years, we completed limited procedures over certain quality control policies and internal monitoring procedures applied by the DCAA audit team. Except as noted in the review results, we noted no significant instances of noncompliance with GAGAS requirements within the audit work performed by the DCAA audit team for JPL. We did not perform all of the procedures necessary to determine if DCAA's quality control system meets the professional standards. However, we did perform procedures sufficient to evaluate the audit work performed by the DCAA team supporting its opinion on JPL's compliance with the three compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management.

Review Results

DCAA Did Not Consolidate Similar Audit Findings in Its Report

Audit findings related to the same issue were not consolidated into one finding but were presented as multiple findings in the "Schedule of Findings and Questioned Costs" within the DCAA audit report. OMB Circular A-133.505(d)(3)(i) states, "Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) which relate to the same issue should be presented as a single audit finding." The following table shows the instances where this occurred.

Audit Findings Related to the Same Issue but Presented as Multiple Findings		
Finding/Issue Area	Number of Related Findings	Finding Reference Numbers
Travel related to noncompliance with JPL policies, contract terms, Federal Acquisition Regulation (FAR), and NASA FAR Supplement	7	DJ09-1, DJ09-10, DJ09-15, DJ09-18, DJ09-23, DJ09-30, DJ09-45
Travel related to out-of-period costs – i.e., travel that occurred prior to the start of FY 2009, September 29, 2008	7	DJ09-2, DJ09-11, DJ09-16, DJ09-19, DJ09-24, DJ09-31, DJ09-46, DJ09-64
No supporting documentation for nonexempt labor overtime premium	8	DJ09-3, DJ09-12, DJ09-17, DJ09-20, DJ09-25, DJ09-32, DJ09-47, DJ09-61
Contract labor overtime	6	DJ09-4, DJ09-13, DJ09-21, DJ09-26, DJ09-33, DJ09-48
Interdivisional authorization and the Infrared Process Analysis Center	4	DJ09-5, DJ09-14, DJ09-34, DJ09-49
Service center costs related to noncompliance with policies and FAR	2	DJ09-6, DJ09-28
Cost incurred on Phaeton Project	3	DJ09-7, DJ09-68, DJ09-70
Lost purchase discount	5	DJ09-9, DJ09-29, DJ09-35, DJ09-54, DJ09-56
Transfer of subcontract costs	3	DJ09-8, DJ09-22, DJ09-53
Miscellaneous direct cost	2	DJ09-27, DJ09-63
Separation pay	2	DJ09-38, DJ09-65
Health insurance (Kaiser, BlueCross PPO, HMO)	7	DJ09-40, DJ09-36, DJ09-41, DJ09-66, DJ09-67, DJ09-68, DJ09-69
Tuition reimbursement	2	DJ09-42, DJ09-43

DCAA's organization of the audit findings makes it difficult for users of the audit report to understand and identify the separate and specific issues affecting JPL. The audit findings are presented within cost categories, similar to an incurred cost audit or analysis for contract negotiation. For example, similar findings related to contract labor overtime were reported in six different cost categories, forcing the reader to search the report for the details to the finding. This manner of presentation prevents readers from getting the proper perspective for judging the prevalence of the audit findings as a new finding number was added each time the finding crossed cost categories. The organization and style of presentation also increased the difficulty for the reader, as it would repeatedly refer to a previously reported finding.

Recommendation 1. We recommended that in future audit reports DCAA present audit findings related to the same issue as a single audit finding and that it would be reasonable to provide a separate schedule as a supplement to the "Schedule of Findings and Questioned Costs" that identifies the questioned costs by issue and cost category.

Management's Response. The DCAA Regional Director of the Western Region Field Audit Office (FAO) concurred, stating that in future audit reports the FAO will ensure that findings impacting multiple cost categories will be reported as a single audit finding in the audit report and a summary of questioned costs by cost category will be provided separately in the exhibit.

Evaluation of Management's Response. DCAA's planned action is responsive. The recommendation is resolved and will be closed upon review of the FY 2010 audit report of JPL. We will accept the report with the understanding that the inappropriate presentation of findings in future reports will not be repeated.

DCAA and PwC Did Not Issue Their Audits in a Timely Manner

The DCAA and PwC audit reports on JPL's financial statements for FY ended September 27, 2009, were dated July 9, 2010, and September 9, 2010, respectively, which did not allow JPL to submit their reporting package and data collection form to the Federal Audit Clearinghouse by the required due date.³ OMB Circular A-133.320(a) states, "The audit shall be completed and the data collection form . . . and reporting package . . . shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period . . ." JPL finally submitted the reporting package to the Federal Audit Clearinghouse on September 14, 2010. Because of the late submission of the audit reports, the reporting package was not made available to users timely.

Recommendation 2. We recommended PwC and DCAA develop procedures to ensure that future reporting packages are submitted to JPL within the earlier of 30 days after receipt of the auditor's report(s), or 9 months after the end of the audit period.

Management's Response. The DCAA Regional Director of the Western Region FAO concurred, stating that the FAO will take steps to ensure that future reporting packages are submitted to JPL within the earlier of 30 days after receipt of the auditor's reports or 9 months after the end of the audit period.

The PwC audit partner concurred, stating that the firm will work with the JPL to achieve a timetable that allows for timely completion of the audit and filing of the A-133 audit report. PwC held meetings with JPL to discuss the timing and performance of work that will allow for timely filing of the FY 2010 audit.

Evaluation of Management's Response. DCAA and PwC's planned action is responsive. The recommendation is resolved and will be closed upon completion and verification of corrective action via the FY 2010 audit report of JPL. We will accept the report with the understanding that future reporting packages will be submitted by the required due date.

³ OMB Circular A-133, §320(c) states, "A reporting package shall include the: Financial statements and schedule of expenditures of federal awards . . . ; Summary schedule of prior audit findings . . . ; Auditor's report(s); and Corrective action plan . . ."

We appreciate the courtesies extended during our review. If you have any questions, or need additional information, please contact Mr. Mark Jenson, Financial Management Director, Office of Audits, at 202-358-0629.

3 Enclosures

cc: Bill McNally
Assistant Administrator for Procurement

Dr. Eugene H. Trinh
Director, NASA Management Office

Dr. Charles Elachi
Director, Jet Propulsion Laboratory

Scope and Methodology

We performed a quality control review of PwC and DCAA; they jointly performed the single audit of JPL for the FY ended September 27, 2009. We performed this review from August 2010 through November 2010. We believe that the evidence obtained during this review provides a reasonable basis for our findings and conclusions based on our objectives.

We focused the review on six areas:

- auditor qualifications,
- planning,
- conduct of the audit work,
- audit work relating to the Schedule of Expenditures of Federal Awards (SEFA),
- supervision, and
- reporting.

In conducting our review, we assessed the audit documentation prepared by PwC and DCAA. We also discussed the audit procedures and results with PwC's and DCAA's audit personnel. We emphasized the areas that are of major concern to the Federal Government, such as determining and auditing major program compliance and internal control. In addition, we performed limited procedures over certain quality control policies and internal monitoring procedures applied by the DCAA JPL audit team.

Single Audit Requirements

The Single Audit Act (the Act), Public Law 98-502, as amended, and OMB Circular A-133 are designed to improve the financial management of state and local governments and nonprofit organizations (entities). The Act and OMB Circular A-133 establish uniform auditing and reporting requirements for all Federal award recipients who are required to obtain a single audit. OMB Circular A-133 establishes policies that guide implementation of the Act and provide an administrative foundation for uniform requirements of non-Federal entities administering Federal awards. OMB Circular A-133 applies to all Federal departments and agencies that make awards to non-Federal entities. Entities that expend \$500,000 or more of Federal awards in a fiscal year are subject to the Act and the audit requirements in OMB Circular A-133 and, therefore, must have an annual single or program-specific audit performed in accordance with GAGAS. To meet the requirements of the Act and OMB Circular A-133, the Auditee submits to the Federal Audit Clearinghouse a complete reporting package on each single audit.

OMB issued the March 2009 Supplement to assist auditors in identifying the compliance requirements that the Federal Government expects to be considered as part of the single audit. For each of the 14 compliance requirements, the Supplement describes the related audit objectives, suggested audit procedures and also describes the objectives of internal control and characteristics that, when present and operating effectively, help ensure

compliance with requirements. The following 14 compliance requirements identified in the Supplement may be material to a major program that is audited:

1. Activities Allowed or Unallowed
2. Allowable Costs/Cost Principles
3. Cash Management
4. Davis-Bacon Act
5. Eligibility
6. Equipment and Real Property Management
7. Matching, Level of Effort, Earmarking
8. Period of Availability of Federal Funds
9. Procurement and Suspension and Debarment
10. Program Income
11. Real Property Acquisition and Relocation Assistance
12. Reporting
13. Subrecipient Monitoring
14. Special Tests and Provisions

PwC and DCAA jointly performed the responsibility for addressing the 14 compliance requirements that must be audited. DCAA was responsible for testing for compliance with the first three requirements and PwC complete the remainder of the compliance requirements.

American Recovery and Reinvestment Act of 2009 (ARRA or Recovery Act)

ARRA, Public Law 111-5, requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent. The awardees are required to specifically identify Recovery Act expenditures separately for Federal awards under the Recovery Act on the SEFA and the Data Collection Form required by OMB Circular A-133. The Offices of Inspectors General are required to perform quality control reviews to ensure single audits are properly performed and improper payments and other noncompliance is fully reported. In the spirit of openness and transparency promoted by the guidance found in OMB Memorandum 10-14, "Updated Guidance on the American Recovery and Reinvestment Act," we will post the final version of the quality control review report, including your response, on our website oig.nasa.gov and link it to the Recovery Accountability and Transparency Board's website www.recovery.gov.

Results of the Audit of JPL for FY 2009

PwC Audit Report

PwC issued its report, dated September 9, 2010, on JPL's FY 2009 financial statements. In PwC's opinion, "the accompanying statement of financial position and related statements of activities and cash flows present fairly, in all material respects, the financial position of Jet Propulsion Laboratory ("JPL") [a federally funded research and development center] managed by the California Institute of Technology (the "Institute") as of September 27, 2009 and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America."

PwC also expressed its opinion, within the report, on the Schedule of Expenditures of Federal Awards for JPL. PwC stated that the information contained in the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PwC Audit Report on Internal Control and Compliance and Other Matters

PwC's "Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*," September 9, 2010, stated that "we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses . . ." However, the report goes on to state, "the results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Audit Standards* . . ."

PwC Audit Report on Major Program Compliance and Internal Control

PwC's "Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133," dated September 9, 2010, stated that PwC audited the compliance of JPL with the types of compliance requirements described in the Supplement that are applicable to its major Federal program for the year ended September 27, 2009, except in the following three areas: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Cash Management. DCAA audited compliance with these requirements and issued a qualified opinion.

PwC expressed a qualified opinion on JPL's compliance with the requirements that are applicable to its major Federal program for the year ended September 27, 2009. PwC did not report any instances of non-compliance with the requirements applicable to its

major Federal program that they tested from the Supplement; however, based on DCAA's qualified opinion on the three compliance requirements tested by, PwC determined it was necessary to issue a qualified opinion.

DCAA Audit Report on Internal Control and Compliance Findings, Questioned Costs, and a Qualified Opinion on Major Program Compliance

On July 9, 2010, DCAA issued its report on internal controls and compliance of JPL for the year ended September 27, 2009. DCAA conducted their audit in accordance with generally accepted government auditing standards, except that DCAA does not currently have an external opinion on its quality control system as required by GAGAS 3.55, "External Peer Review."⁴ DCAA was responsible for auditing the following compliance requirements described in the Supplement that are applicable to its major Federal program for the following three areas: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management.

The DCAA report included internal control and compliance findings, questioned costs, and a qualified opinion on major program compliance.

DCAA was unable to obtain sufficient documentation supporting the internal controls and compliance of JPL regarding activities allowed or unallowed, allowable cost/cost principles and cash management. The following qualifications were reported:

- JPL's disclosure statement formally communicating their cost accounting practices in effect in FY 2009 was inadequate.
- The payments for of health insurance costs for dependents of JPL employees could not be evaluated, as JPL did not verify the dependent(s)' eligibility for health care coverage nor did it require employees to adequately identify and remove ineligible dependents from the plan coverage during FY 2009.
- DCAA could not examine the original documents supporting interdivisional costs transferred to JPL by Caltech. JPL does not retain original records for a minimum of one year after imaging as required by FAR Subpart 4.703.
- The claimed subcontract costs could not be evaluated for the acceptability because DCAA was unable to receive reports for requested assist audits from other DCAA offices prior to issuing its report.

⁴ GAGAS 3.55 states "audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years."

DCAA identified certain deficiencies in internal control that DCAA considers significant deficiencies and others that DCAA considers to be material weaknesses. Additionally, some other deficiencies or other matters related to internal control were identified. Additionally, DCAA identified certain instances of material noncompliance with the requirements that are applicable to the research and development program. Accompanying these internal control deficiencies and instances of noncompliance DCAA disclosed significant questioned costs associated with these items. The following is a summary of internal control deficiencies, instances of noncompliance, and questioned costs by topic:

- Material weaknesses in the cash management internal controls; screening and verifying dependent eligibility for healthcare coverage; documenting approval of non-exempt labor overtime premium; and maintaining the data accuracy of retiree's health insurance coverage.
- Significant control deficiencies related to JPL's noncompliance with contract labor overtime policies and related contract provision; noncompliance with JPL's separation pay policy; and lack of segregation of duties on purchase subcontract.
- Control deficiencies related to JPL's self-assessments; labor timekeeping; travel authorization and approval; noncompliance with travel expense reporting requirements; timely payments to take advantage of purchase discounts offered by vendors; and noncompliance with Research Support Agreements (RSA) contract terms and policies.
- Questioned costs totaling \$30,935,399 pertained to travel; JPL labor overtime premium and non productive effort; contract labor overtime; intercompany charges; RSA; purchase subcontracts; service center costs; Phaeton Program costs; and numerous employee benefits accounts.
- Noncompliance with Federal requirements relating to disclosure of cost accounting practices and accounting for unallowable costs for the Phaeton Program.

Management's Comments



IN REPLY REFER TO

WESTERN REGION
DEFENSE CONTRACT AUDIT AGENCY
16700 VALLEY VIEW AVENUE, SUITE 300
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RST-4 225.4
4911-2009J10110001

December 21, 2010

Mr. Jim Morrison
Assistant Inspector General for Auditing
National Aeronautics and Space Administration
Washington, DC 20546-0001

SUBJECT: Response to the Draft Memorandum on the Quality Control Review of the PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audits of the Jet Propulsion Laboratory for the Fiscal Year Ended September 27, 2009 (Assignment No. A-10-015-00)

Dear Mr. Morrison:

Thank you for providing us an opportunity to respond to the draft memorandum referenced above. Our comments follow:

Draft Finding: DCAA Did Not Consolidate Similar Audit Findings in its Report

The draft memorandum states in part:

Audit Findings related to the same issue were not consolidated into one finding but were presented as multiple findings in the "Schedule of Findings and Questioned Costs" within the DCAA audit report. OMB Circular A-133.505(d)(3)(i) states, "Audit Findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) which relate to the same issue should be presented as a single audit finding."...

DCAA's organization of the audit findings makes it difficult for users of the audit report to understand and identify the separate and specific issues affecting JPL. The audit findings are presented within cost categories, similar to an incurred cost audit or analysis for contract negotiation. For example, similar audit findings related to contract labor overtime were reported in six different cost categories, forcing the reader to search the report for the details to the finding. This manner of presentation prevents readers from getting the proper perspective for judging the prevalence of the audit findings as a new finding number was added each time the finding crossed cost categories. The organization and style of presentation also increased the difficulty for the reader, as it would repeatedly refer to a previously reported finding.

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RST-4 225.4

December 21, 2010

SUBJECT: Response to the Draft Memorandum on the Quality Control Review of the PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audits of the Jet Propulsion Laboratory for the Fiscal Year Ended September 27, 2009 (Assignment No. A-10-015-00)

Recommendation 1. We recommend that in future audit reports DCAA present audit findings related to the same issue as a single audit finding. It would be reasonable to provide a separate schedule as a supplement to the "Schedule of Findings and Questioned Costs" that identifies the questioned costs by issue and cost category.

FAO Response:

Concur. The FAO will ensure that future audit findings that impact multiple cost categories will be reported as a single audit finding in the audit report. The FAO will provide a summary of questioned costs by cost category and reference a single audit note for each applicable finding in the exhibit.

The FAO's report showing audit findings by each indirect cost rate classification was intended to provide the results in a format believed to facilitate and assist with the negotiation of final direct and indirect costs for the contractor's fiscal year. JPL has seven indirect costs pools and as noted by the NASA OIG some audit findings do relate to multiple indirect cost pools. As such, some reported findings do have more than one explanatory note explaining the finding applicable to the questioned cost category. Future audit reports will present audit findings relating to the same issue as a single audit finding.

Draft Finding: DCAA and PwC Did Not Issue Their Audits in a Timely Manner

The draft memorandum states in part:

The DCAA and PwC audit reports on JPL's financial statements for FY ended September 27, 2009, were dated July 9, 2010, and September 9, 2010, respectively, which did not allow JPL to submit their reporting package and data collection form to the Federal Audit Clearinghouse by the required due date. OMB Circular A-133.320(a) states, "The audit shall be completed and the data collection form... and reporting package... shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period...." JPL finally submitted the reporting package to the Federal Audit Clearinghouse on September 14, 2010. Because of the late submission of the audit reports, the reporting package was not made available to users timely.

Recommendation 2. We recommend PwC and DCAA develop procedures to ensure that future reporting packages are submitted to JPL within the earlier of 30 days after receipt of the auditor's report(s) or nine months after the end of the audit period.

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RST-4 225.4

December 21, 2010

SUBJECT: Response to the Draft Memorandum on the Quality Control Review of the PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audits of the Jet Propulsion Laboratory for the Fiscal Year Ended September 27, 2009 (Assignment No. A-10-015-00)

DCAA Response:

Concur. The FAO will take steps to ensure future reporting packages are submitted to JPL within the earlier of 30 days after receipt of the auditor's report(s) or nine months after the end of the audit period. The audit report was issued on July 9, 2010, nine days after the required June 30, 2010 deadline.

OMB Circular A-133.510(b) states in part, "...Specific information shall be included, as applicable, in audit findings:...views of responsible officials of the auditee when there is disagreement with the audit findings, to the extent practical." The FAO did not receive the contractor's response until after the close of business on June 30, 2010, even though the FAO exited with the contractor on June 17, 2010 and had provided written preliminary audit findings to the contractor during the period of May 17, 2010 through June 17, 2010.

If you have any questions regarding our response, please contact Mr. Rory Robison, Chief, Technical Programs, at (714) 228-7025 or Mr. Stephen T. Larkin, Regional Special Programs Manager, at (714) 228-7020.

Sincerely,

/Signed/
DONALD L. MULLINAX
Regional Director

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November 30, 2010

Mr. Jim Morrison
Assistant Inspector General for Audits
National Aeronautics and Space Administration
Washington, D.C. 20546-0001

Dear Mr. Morrison:

We have reviewed the November 17, 2010 *Draft Memorandum on the Quality Control Review of the PricewaterhouseCoopers LLP and Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audit of the Jet Propulsion Laboratory for the Fiscal Year Ended September 27, 2009*.

We concur with the commentary in that Draft Memorandum with respect to PricewaterhouseCoopers LLP. We understand further that the Defense Contract Audit Agency will respond separately to comments in that memorandum related to its portion of the audit under Circular A-133.

With respect to the non-timely filing of the Jet Propulsion Laboratory's report under Circular A-133 we note that, as the lead auditor, we are dependent upon the timing of the completion of the portion of the audit performed by the Defense Contract Audit Agency to complete the overall audit report. That portion of the audit was completed and issued in July 2010, thus we could not complete the overall report by the required June 30, 2010 due date.

In the current year, we will work with the Jet Propulsion Laboratory to achieve a timetable that allows for timely completion of the audit and filing of the A-133 report. We have already met with JPL to discuss the timing of the performance of our work and have agreed upon a timetable that will allow for timely filing of the current year A-133 audit.

We would like to express our appreciation to your team for the efforts put forth to complete this review.

Please do not hesitate to contact me with any questions you might have.

Very truly yours,

A handwritten signature in black ink that reads "Michael F. Schini". The signature is written in a cursive, flowing style.

Michael F. Schini
Partner

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