OIG Office of Inspector General
U.S. Department of State • Broadcasting Board of Governors

System Review Report

SEP 1 2015

The Honorable Paul K. Martin
Inspector General
National Aeronautics and Space Administration
300 E Street, S.W.
Suite 8V39
Washington, DC 20546-0001

Dear Mr. Martin:

We have reviewed the system of quality control for the audit organization of the National Aeronautics and Space Administration, Office of Inspector General (NASA/OIG), in effect during the period April 1, 2012, through March 31, 2015. A system of quality control encompasses the NASA/OIG organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conformity with *Government Auditing Standards* (GAS). The elements of quality control are described in GAS. 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.

Our review was conducted in accordance with GAS and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed NASA/OIG personnel and obtained an understanding of the nature of the NASA/OIG audit organization and the design of NASA/OIG's system of quality control sufficient to assess the risks implicit in its 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 the NASA/OIG 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. Our review was based 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. Therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control 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 NASA/OIG offices that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of NASA/OIG in effect for the period April 1, 2012, through March 31, 2015, 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 an External Peer Review rating of *pass*. As is customary, we have issued a letter of comment dated September 1, 2015, which sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing its system of quality control to ensure adherence with GAS, 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 (IPA) under contract in which the IPAs served as the principal auditor. It should be noted that the monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of GAS. The purpose of our limited procedures was to determine whether NASA/OIG had controls to ensure 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 note any matters concerning NASA/OIG's monitoring of work performed by IPAs.

The review team appreciates the courtesy and cooperation provided by your staff during this review.

Sincerely,

Steve A. Linick
Inspector General

Enclosure

ENCLOSURE: SCOPE AND METHODOLOGY

We tested compliance with the system of quality control for the audit organization of the National Aeronautics and Space Administration, Office of Inspector General (NASA/OIG), to the extent we considered appropriate. These tests included a review of 6 of 22 audit reports issued during the period April 1, 2014, through March 31, 2015. The six performance audit reports we reviewed are listed in Table 1. We also reviewed five internal quality control reviews and one limited-scope internal control review NASA/OIG issued between April 1, 2014, and March 31, 2015.

In addition, we reviewed NASA/OIG's monitoring of an engagement performed by Independent Public Accountants (IPA) in which an IPA served as the principal auditor during the period April 1, 2014, through March 31, 2015. During that period, NASA/OIG contracted for the audit of its agency's FY 2014 financial statements. This report is listed in Table 2. NASA/OIG did not contract other engagements that were to be performed in accordance with *Government Auditing Standards*.

We conducted our review at NASA/OIG headquarters in Washington, DC. We also interviewed, by telephone, NASA/OIG personnel located in Pasadena, CA; Greenbelt, MD; Houston, TX; Hampton, VA; and Marshall Space Flight Center, AL.

Table 1: NASA/OIG Audit Reports Reviewed

Report Number	Report Date	Report Title
IG-14-024	July 16, 2014	NASA's Independent Verification and Validation Program
IG-14-027	July 23, 2014	Audit of Grant Awarded to North Carolina State University
IG-15-002	October 21, 2014	Audit of NASA's Premium Air Travel
IG-15-003	October 23, 2014	NASA's Launch Support and Infrastructure Modernization: Commercial Space Launch Activities at Kennedy Space Center
IG-15-009	December 16, 2014	NASA's Use of Blanket Purchase Agreements
IG-15-010	December 17, 2014	Costs Incurred on NASA's Cost-Type Contracts

Source: Table 1 was prepared by Department of State OIG.

Table 2: Independent Public Accountants Report Monitored by NASA/OIG

Report Number	Report Date	Report Title
IG-15-006	November 26, 2014	Audit of the National Aeronautics and Space Administration's Fiscal Year 2014 Financial Statement

Source: Table 2 was prepared by Department of State OIG.