



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

June 30, 2010

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

Dear Mr. Martin:

Enclosed is our report on the system of quality control for your audit organization. Your response to the report is included in the Enclosure of the Letter of Comment.

On behalf of my office, I would like to extend my thanks to your staff for their courtesies and cooperation during our review.

Sincerely,

Eric M. Thorson
Inspector General

Enclosure



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 30, 2010

OFFICE OF
INSPECTOR GENERAL

OIG-CA-10-010

To the Honorable Paul K. Martin, Inspector General
National Aeronautics and Space Administration

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 for the year ended September 30, 2009. 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 to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. 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 *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. During our review, we (1) interviewed NASA OIG personnel and (2) 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 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. Also, during the conduct of our review, a possible compromise of NASA OIG's system of quality control was brought to our attention. As a result, we expanded the scope of our review and performed additional procedures to determine whether the system was compromised in the manner described. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with NASA OIG's 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. 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, and 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 engagements that we reviewed and the NASA OIG offices that we visited.

In our opinion, the system of quality control for the audit organization of NASA OIG in effect for the year ended September 30, 2009, 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 of comment dated June 30, 2010, that 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 *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency related to NASA OIG's monitoring of engagements performed by an independent public accountant (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is 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 that the IPA 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 the IPA.

A handwritten signature in black ink, appearing to read 'Eric M. Thorson', written over a horizontal line.

Eric M. Thorson, Inspector General

Enclosure

Scope and Methodology

We conducted our fieldwork from July 2009 through March 2010. We tested compliance with the National Aeronautics and Space Administration Office of Inspector General's (NASA OIG) audit organization's system of quality control to the extent that we considered appropriate. In determining our scope, we also considered the findings and conclusions reached by the Government Accountability Office (GAO) in a December 2008 report on NASA OIG.¹

Our tests included a review of 14 of 26 audit reports issued from October 1, 2008, through September 30, 2009. Of the 14 reports we reviewed, 13 were performance audits and 1 was the financial statement audit performed by an independent public accountant under contract with NASA OIG. We tested compliance with NASA OIG's policies and procedures for internal quality control reviews of 3 fiscal year 2008 audits, interviewed current and former NASA OIG personnel, and reviewed NASA OIG's continuing professional education documentation.

The following tables identify the NASA OIG reports that we reviewed as part of our assessment of NASA OIG's system of quality control.

Table 1. Reviewed Engagements

Report No.	Report Name	Date Issued
IG-09-003	<i>Final Memorandum on the Review of NASA Stolen Property at Goddard Space Flight Center and Marshall Space Flight Center</i>	11/13/08
IG-09-006	<i>Audit of the National Aeronautics and Space Administration's Fiscal Year 2008 Financial Statements*</i>	11/17/08
IG-09-009	<i>Final Memorandum on the Review of the Space Shuttle Liquid Hydrogen Fuel Tank Sensors</i>	01/05/09
IG-09-011	<i>NASA's Constellation Standing Review Boards Established Without Due Regard for Member Independence Requirements</i>	02/25/09
IG-09-012	<i>Evaluation and Oversight of NASA's University-Affiliated Spaceport Technology Development Contract Needed Improvement</i>	03/19/09

¹ GAO, *Inspectors General: Actions Needed to Improve Audit Coverage of NASA*, GAO-09-88 (Dec. 18, 2008).

Report No.	Report Name	Date Issued
IG-09-013	<i>Final Memorandum on Audit of the Stratospheric Observatory for Infrared Astronomy (SOFIA) Program Management Effectiveness</i>	03/27/09
IG-09-014	<i>Final Memorandum on the Audit of NASA's Implementation of Defense Contract Audit Agency Audit Recommendations During the Administration of Cost-Reimbursable Procurement Actions</i>	04/24/09
IG-09-016	<i>NASA's Management of Ares I Human-Rating Requirements</i>	05/21/09
IG-09-017	<i>Opportunities to Improve the Management of the Space Flight Awareness Honoree Launch Conference Event</i>	07/27/09
IG-09-018	<i>Improvements Needed in NASA's Oversight And Monitoring of Small Business Contractor Transfers of Export-Controlled Technologies</i>	07/14/09
IG-09-019	<i>NASA Could Improve Analyses and Coordination in Support of the Joint Planning and Development Office to Develop the Next Generation Air Transportation System</i>	07/30/09
IG-09-020-Redacted	<i>Final Memorandum on Review of Wheeling Jesuit University Cost Proposals</i>	08/03/09
IG-09-021	<i>The Landsat Program Is Not Meeting the Goals and Intent of the Land Remote Sensing Policy Act of 1992</i>	09/02/09
IG-09-024	<i>Final Memorandum on the Audit of the Reporting of NASA's National Security Systems</i>	08/28/09

**Audit of the National Aeronautics and Space Administration's Fiscal Year 2008 Financial Statements* is a report issued by the independent public accountant under contract with NASA OIG.

As part of our assessment of NASA OIG's system of quality control we examined the documentation supporting internal quality control reviews of the following engagements. The results of those reviews were issued by NASA OIG in an internal report dated June 18, 2009.

Table 2. Reviewed Quality Control Reviews

Report No.	Report Name
IG-08-010	<i>Final Memorandum on Audit of Retention of NASA's Official Electronic Mail</i>
IG-08-021	<i>Final Memorandum on the Review of NASA's Plan to Build the A-3 Facility for Rocket Propulsion Testing</i>

Report No.	Report Name
IG-08-030	<i>Cost Estimates Used to Support the FY 2008 Budget Request for NASA's Constellation Program Could Have Been Better Documented</i>

During our review, we were alerted to possible compromises of NASA OIG's system of quality control. Specifically, we were told that changes may have been made to two reports, *Audit of NASA's Management and Funding of Fiscal Year 2006 Congressional Earmarks* (Aug. 9, 2007, IG-07-028), and *Final Report [A NASA] Center's Security Program Needed Improvement* (Sept. 19, 2008, IG-08-025), during NASA OIG's front-office review process that did not go through the referencing process.² Moreover, we were told that those unreferenced changes may have materially altered the intended messages of those reports. Accordingly, we expanded the scope of our review and performed additional procedures to determine whether the system was compromised in the manner that was described to us. Specifically, we reviewed all changes made by NASA OIG's front-office to the reports in question. Based on our review, we determined that all changes made to both reports by NASA OIG's front-office were referenced in accordance with NASA OIG policy and supported by appropriate documentation. Accordingly, we concluded that NASA OIG's system of quality control was not compromised.

We conducted our review at the Washington, DC, and Hampton, Virginia, offices of NASA OIG.

² Referencing is a process required by NASA OIG's policies and procedures whereby an experienced auditor independent of the audit engagement verifies that the facts stated in the audit report are supported by audit documentation before the audit report is issued.