



NASA OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDITS
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April 16, 2026

TO: Sidney Schmidt
Acting Chief Financial Officer

David Mitchell
Associate Administrator for Mission Support Directorate

SUBJECT: Final Memorandum, *Desk Review of NASA Exchanges' Fiscal Year 2024 Audit Reports Issued by Various Public Accounting Firms* (Report No. IG-26-007; Assignment No. D-25-03-00-FMD)

NASA Exchange and Morale Support Activities (Exchanges) are entities under NASA's control that operate businesses, such as cafeterias and gift shops, to contribute to the morale and welfare of NASA employees and their families, retirees, and contractors. Exchange activities are generally supported by non-appropriated funds. Exchanges, by contract or other written agreements, operate activities such as food service, retail stores, and vending machines. Funds generated from these services are used to promote, manage, and oversee morale support activities, including, but not limited to, fitness centers, athletic leagues, social clubs, child development centers, and recreation associations.

NASA policy requires each Exchange to maintain financial records in accordance with accounting principles generally accepted in the United States. Each Exchange must also obtain an annual audit of its financial statements conducted by a licensed independent public accounting (IPA) firm in accordance with the Government Accountability Office's generally accepted government auditing standards (GAGAS).¹

¹ Exchanges that generate less than \$500,000 in annual revenue may obtain a review instead of an audit of their financial statements in accordance with the American Institute of Certified Public Accountants' Statements on Standards for Accounting and Review Services, provided that appropriate approval is obtained.

As part of our oversight of the work performed by the IPA firms, we performed a desk review of the independent auditor’s report for each Exchange that received an audit or a review for the fiscal year ended September 30, 2024.² We performed the desk review to determine whether the audit reports met reporting standards applicable to financial audits contained in GAGAS. See Enclosure I for details of the review’s scope and methodology.

Background

In 1942, the predecessor to NASA—the National Advisory Committee for Aeronautics (NACA)—created the NACA Exchange, establishing branches at two field laboratories to operate a cafeteria to promote the health and efficiency of laboratory personnel and increase morale.³ The NACA Exchange was based in principle on the U.S. Army Post Exchange and was identified as an “instrumentality of the Government,” meaning it is used for a governmental purpose and performs a governmental function.⁴ The Exchange’s assets were regarded as government property.

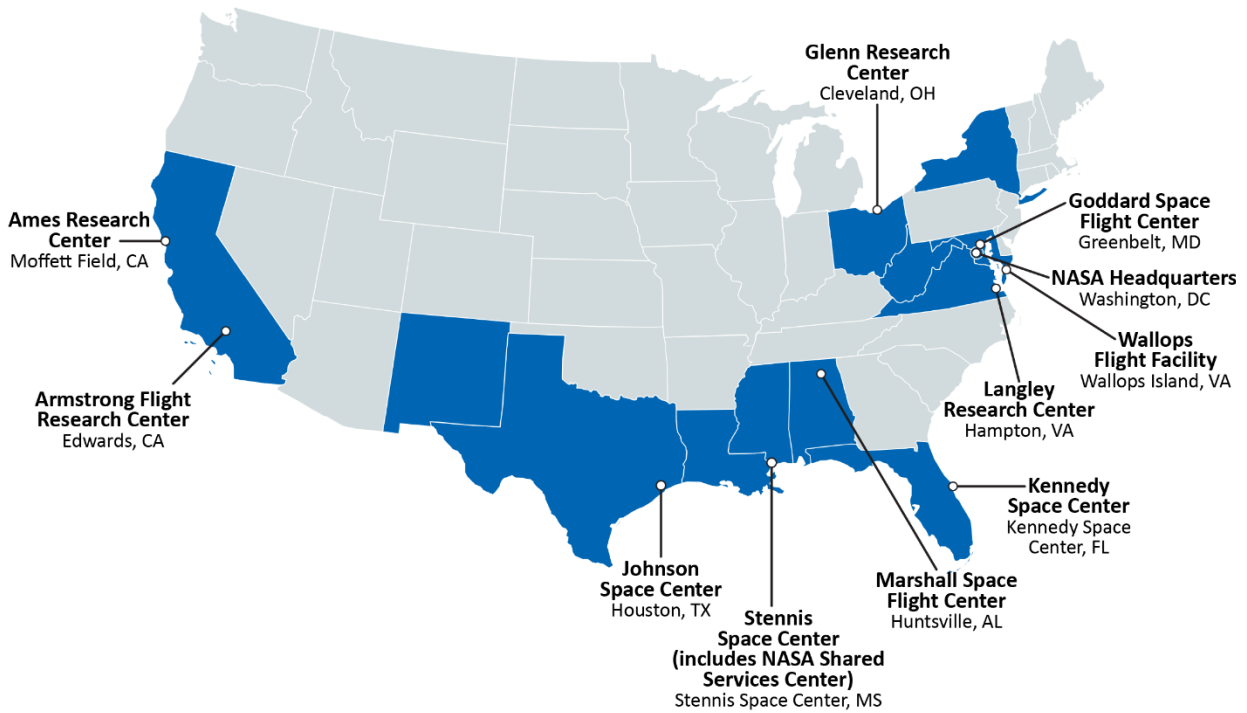
Through the National Aeronautics and Space Act of 1958, NACA was absorbed into a newly created agency—NASA—on October 1, 1958. The Act continued the existing policies and regulations governing the NACA Exchange. As amended and codified, the Act authorizes the NASA Administrator to provide by contract or otherwise for cafeterias and other necessary facilities for the welfare of NASA employees at its installations and to purchase and maintain associated equipment. NASA has Exchanges at 12 centers and component facilities spanning from Ames Research Center in California’s Silicon Valley to Wallops Flight Facility on Virginia’s Eastern Shore (see Figure 1).

² The Inspector General Act of 1978, as amended, section 4, paragraph (b)(1)(C) directs each 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 of the United States.

³ NACA was formed on March 3, 1915, by Public Law No. 271, 63rd Congress, to “supervise and direct the scientific study of the problems of flight.”

⁴ An instrumentality is an organization created by statute and operated for public purposes with ownership interests resting with the U.S. government.

Figure 1: Locations of NASA Exchanges



Source: NASA Office of Inspector General (OIG) depiction of Agency information.

Exchange operations are governed by NASA Policy Directive (NPD) 9050.6.⁵ The Agency’s Logistics Management Division at Headquarters is responsible for monitoring center and facility compliance with this directive through required annual reporting and period reviews. The division functions as the Records Manager for all Agency Exchange records.

Audits of Exchange finances are conducted annually by a licensed IPA firm in accordance with GAGAS, which is issued by the Comptroller General of the United States. By February 28 of each year, copies of the consolidated September 30 year-end Exchange financial statements and annual audit report from the previous year are submitted to the Center Chief Financial Officer and the NASA Exchange Official in the Headquarters Logistics Management Division. Exchanges with less than \$500,000 in total annual revenues may perform a review instead of an audit in accordance with the American Institute of Certified Public Accountants’ (AICPA) Standards for Accounting and Review Services; however, advance written approval is required by the NASA Office of the Chief Financial Officer and the NASA Exchange Official located in the Logistics Management Division. The NASA Office of the Chief Financial Officer is also responsible for general oversight of financial activities at the Agency, including the Exchanges.

⁵ NPD 9050.6K, *NASA Exchange and Morale Support Activities* (March 2, 2015).

RESULTS OF IPA EXCHANGE AUDIT REPORTS

For fiscal year 2024, contracted IPA firms conducted nine audits and two reviews of the Exchanges.⁶ The NASA Shared Services Center Exchange was exempt from both an audit and a review because its revenue for the year was below \$5,000. The Armstrong Flight Research Center (Armstrong) Exchange did not have an audit or a review performed.⁷ See Table 1 for a summary of the IPA firms' results for each of the Exchanges.

Table 1: Summary Results of IPA Exchange Audit Reports for Fiscal Year 2024

Exchange		IPA Firm	Type of Engagement	IPA Opinion	Findings
Ames Research Center		Chavan & Associates, LLP	Audit	Unmodified	No findings
Armstrong Flight Research Center (no audit or review performed)		—	—	—	—
Glenn Research Center		HW & Co.	Review	Unmodified	No findings
Goddard Space Flight Center	Goddard Child Development Center	UHY, LLP	Audit	Unmodified	Significant Deficiency in Financial Close and Reporting Controls
	Goddard Employee Welfare Association		Audit	Disclaimer	Material Weakness in Financial Close and Reconciliation; Material Weakness in Retention of Documentation; Significant Deficiency in Financial Policies
Headquarters		UHY, LLP	Review	Unmodified	No findings
Johnson Space Center		McConnell Jones	Audit	Unmodified	No findings
Kennedy Space Center		L.F. Harris & Associates, CPA	Audit	Unmodified	No findings
Langley Research Center		SB & Company, LLC	Audit	Unmodified	No findings
Marshall Space Flight Center		BMSS Advisors & CPAs	Audit	Unmodified	No findings
Stennis Space Center		Harper, Rains, Knight & Company	Audit	Unmodified	Material Weakness in Internal Control over Financial Reporting related to preparation of the financial statements; Material Weakness in Internal Control over Financial Reporting of receivables and payables
Wallops Flight Facility		UHY, LLP	Audit	Disclaimer	Material Weakness in Financial Close and Reconciliation; Significant Deficiency in Financial Policies; Significant Deficiency in Payroll Review

Source: NASA OIG review of IPA Exchange audit reports.

⁶ While the Goddard Child Development Center and Goddard Employee Welfare Association both fall under the Goddard Space Flight Center Exchange, two separate audits were conducted.

⁷ Refer to Area 1 of Enclosure II on page 10 for further details.

RESULTS OF THE OFFICE OF INSPECTOR GENERAL EXCHANGE DESK REVIEWS

We conducted a review of the 11 completed fiscal year 2024 IPA Exchange audit reports to determine whether the reports complied with GAGAS and the reporting requirements in the AICPA’s codification of the Statements on Standards for Accounting and Review Services. We reviewed the auditors’ reports, relevant financial statements, and related notes; assessed documentation prepared by the IPA firms, including the engagement letter, independence certifications, and continuing professional education (CPE) documentation; and reviewed management representation letters.

We found quality deficiencies with 5 of the 11 Exchange IPA engagements we reviewed—three of the audit reports contained incomplete or inaccurate information and staff at four of the IPA firms did not meet CPE requirements. See Table 2 for a summary of the results.

Table 2: Summary Results of NASA Office of Inspector General Exchange Desk Reviews for Fiscal Year 2024

Exchange		Did Not Comply with GAGAS	CPE Requirements Not Met	No Quality Deficiencies Identified	Condition Reference
Ames Research Center		✓	✓		5, 6, 7
Armstrong Flight Research Center (no audit or review performed)		—	—	—	—
Glenn Research Center				✓	
Goddard Space Flight Center	Goddard Child Development Center			✓	
	Goddard Employee Welfare Association			✓	
Headquarters				✓	
Johnson Space Center		✓	✓		3, 4, 5
Kennedy Space Center				✓	
Langley Research Center			✓		5
Marshall Space Flight Center			✓		5
Stennis Space Center				✓	
Wallops Flight Facility		✓			1, 2

Source: NASA OIG review of IPA Exchange audit reports.

Specifically, we identified seven quality deficiencies (or “conditions”) across five of the IPA Exchange audit reports we reviewed. Conditions found at Ames Research Center (Ames), Johnson Space Center (Johnson), Langley Research Center (Langley), Marshall Space Flight Center (Marshall), and Wallops Flight Facility (Wallops) are outlined below.

Condition 1: Report on Internal Control over Financial Reporting Was Missing Standard Report Language

The Wallops Exchange's Report on Internal Control over Financial Reporting was missing one of the required statements regarding the auditor's consideration of internal control.

Criteria

AICPA U.S. Auditing Standards-C (AU-C) section 265.14(c) states the following regarding the auditor's communication of significant deficiencies and material weaknesses:

The auditor should include a statement that: "the auditor's consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified."

Condition 2: Supplementary Information Section Was Missing Standard Report Language

The Wallops Exchange's Supplementary Information section of the Independent Auditor's Report was missing a required statement when supplementary information is included in the report.

Criteria

AU-C section 725.09(b) states that when supplementary information is included, the report should include the following:

A statement that the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

Condition 3: Independent Auditor's Report and Report on Internal Control over Financial Reporting and on Compliance Were Dated Incorrectly

The Johnson Exchange's Independent Auditor's Report and Report on Internal Control over Financial Reporting and on Compliance were both dated February 26, 2024, which predated the end of the fiscal year under audit.

Criteria

AU-C section 700.43 states:

The auditor's report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence [that] all the statements and disclosures that the financial statements comprise have been prepared.

Condition 4: Report on Internal Control over Financial Reporting and on Compliance Did Not Make Reference to the Schedule of Findings

The Johnson Exchange's Report on Internal Control over Financial Reporting and on Compliance indicated the results of the IPA firm's tests disclosed an instance of noncompliance or other matters. However, after further inquiry with the IPA firm, it was communicated that the auditor's test did not disclose any instance of noncompliance, and the statement was erroneously made. As a result, a required statement that there were no instances of noncompliance was omitted from the report.

Criteria

AICPA Audit Guide—Government Auditing Standards and Single Audits section 4.54(n) states:

If no instances of noncompliance or other matters have been identified that are required to be reported, a statement that the results of tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Condition 5: IPA Firm Team Did Not Meet CPE Requirements

The CPE requirement was not met for team members of the IPA firms that conducted the Ames, Johnson, Langley, and Marshall Exchange audits. Specifically, three of four members on the Ames and Johnson audit teams did not meet the 80-hour 2-year CPE requirement and two of four members did not meet the 24-hour government CPE requirement or the annual 20-hour requirement for the second year of the CPE reporting period. Additionally, one member of the Langley audit team did not meet the 24-hour government CPE and 80-hour 2-year CPE requirements and one member of the Marshall audit team did not meet the 24-hour government CPE requirement.

Criteria

GAGAS sections 4.16 and 4.17 state:

4.16. Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period as follows:

24 hours in subject matter directly related to the government environment, government auditing or the specific or unique environment in which the audited entity operates.

4.17. Auditors should complete at least 20 hours of CPE in each year of the 2-year periods.

Condition 6: IPA Firm Did Not Provide Requested Documentation in a Timely Manner

After multiple attempts over the course of 2 months, the IPA firm that conducted the Ames Exchange audit failed to provide us with the engagement letter as it pertains to the fiscal year 2024 Ames Exchange audit, the IPA firm's evaluation of independence regarding the engagement, and the IPA firm's assertion of independence.

Criteria

The Inspector General Act of 1978 sections 4(b)(1)(c) and 6(a)(1) state that each Inspector General:

4(b)(1)(c). Shall take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General.

6(a)(1). In carrying out the provisions of this Act, is authorized to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishment which relate to the program and operations with respect to which that Inspector General has responsibilities under this Act.

Condition 7: Supplementary Information or Other Information Paragraph Section Was Missing Required Language

While the Ames Exchange's Independent Auditor's Report included a separate section with the heading "Supplementary Information," the paragraph under it did not include all required statements, specifically that the supplementary information "was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements."

Additionally, the supplementary information paragraph indicated the information had not been subjected to auditing procedures and that the IPA firm does not express an opinion. This makes it unclear whether the information presented is supplementary information or other information. If the information presented is other information, the paragraph did not include all required language.

We did not receive the engagement letter; therefore, we were unable to determine whether the IPA firm was engaged to provide an opinion on supplementary information and whether the information presented with the financial statements was supplementary information or other information.

Criteria

AU-C sections 725.09 and 720.24 set forth the elements that should be included in the audit report when supplementary information or other information is presented with the financial statements.

CONCLUSION

Based on our review of the IPA Exchange audit reports and supporting documentation, we conclude that, overall, the audit reports complied with GAGAS. While we are not making any formal recommendations, we noted areas for improvement related to audit report content and documentation supporting auditor competence. We believe the IPA firms should improve their processes and procedures to address these quality deficiencies. Taking these actions should result in more accurate and complete audit reports. These findings were communicated separately to each relevant IPA firm. Additionally, while not a part of the scope of our review, we identified several areas for improvement NASA could make when implementing its internal policy regarding Exchanges, which are discussed further in Enclosure II.

We discussed this memorandum with Agency officials and incorporated technical changes where appropriate. If you have questions or wish to comment on the quality or usefulness of this memorandum, please contact Laurence Hawkins, Financial Oversight and Audit Quality Director, at 202-358-1543 or laurence.b.hawkins@nasa.gov.

Brian Mullins
Deputy Assistant Inspector General for Audits

Enclosures—2

Enclosure I: Scope and Methodology

While we performed this review from April 2025 through March 2026, it was temporarily suspended during the government shutdown that occurred from October 1 to November 12, 2025. The review was performed in accordance with a review guide we developed internally based on the 2021 edition of the *Guide for Desk Reviews of Single Audit Reports* issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). We tailored the CIGIE guide to remove steps related to single audits and added steps to address reviews of financial statements performed in accordance with the AICPA's Statements on Standards for Accounting and Review Services. We believe that the evidence obtained during the review provides a reasonable basis for our findings and conclusions based on our objectives.

Our review covered areas related to the external IPA firm's compliance with GAGAS and the reporting requirements in AICPA's codification of the Statements on Standards for Accounting and Review Services. In conducting our review, we reviewed the audited or reviewed financial statements and related notes and assessed certain documentation prepared by the IPA firm including the engagement letter, independence certifications, and representation letters. We verified that the IPA firm met CPE requirements for the reporting period covering the period the audit was performed. We also confirmed the license status of the firm and its applicable personnel who worked on the Exchange audits and reviews to determine whether they held a current "firm" or personal certified public accountant license to perform the audit or review services.

To support our objectives, we reviewed applicable laws and regulations. We inquired with the IPA firms to gain an understanding of the firms' CPE reporting periods and how the firms certify independence as it relates to audits and reviews they performed.

Our review of applicable requirements and standards, as well as NASA policy related to Exchanges, included, but was not limited to, the following:

- Codification of the AICPA's U.S. Auditing Standards (AU-C)
- Codification of the AICPA's U.S. Statements on Standards for Accounting and Review Services-Clarified (AR-C)
- AICPA Audit Guide—Government Auditing Standards and Single Audits (AAG-GAS)
- Government Accountability Office, *Government Auditing Standards* (2018 Revision updated April 2021)
- NPD 9050.6K, *NASA Exchange and Moral Support Activities* (March 2, 2015)

Prior Coverage

During the last 5 years, the NASA Office of Inspector General issued one report of significant relevance to the subject of this memorandum, *Desk Reviews of Fiscal Year 2019 NASA Exchange Audit Reports* ([IG-21-017](#), March 31, 2021). Unrestricted reports and memorandums can be accessed at <https://oig.nasa.gov/audits/>.

Enclosure II: Areas for Improvement in Implementing NASA Policy

The purpose of our review was to determine whether the IPA Exchange audit reports met the reporting standards of GAGAS. However, during our review, we noted several areas for improvement NASA could make when implementing its internal policy regarding Exchanges, which are outlined below.

Area 1: Financial Statements Were Not Prepared, and an Audit or a Review Was Not Conducted

The Armstrong Exchange did not prepare financial statements and did not engage an IPA firm to conduct an audit or a review. Instead, we received a profit/loss statement for the Armstrong gift shop.

Ames Exchange personnel manage the Armstrong gift shop. According to the NASA Exchange Official, the IPA firm that conducted the Ames Exchange audit could not officially audit the Armstrong Exchange because the IPA team members could not be present for the physical inventory of the Armstrong gift shop. Therefore, to validate the operational integrity of the Armstrong gift shop, the NASA Exchange Official used the audit report of the Ames Exchange to substantiate that the internal controls and processes of the gift shop were operating effectively.

However, this approach does not address all areas in which the Armstrong Exchange operates. An audit of the Exchange would include all revenue-generating activities performed by the Exchange as well as how those funds are used through employee services, activities, and events. For this reason, financial statements for the Armstrong Exchange should have been prepared and a separate audit conducted.

Criteria

NPD 9050.6 sections A.11 through A.13 state:

A.11. The Exchange shall maintain financial records in accordance with generally accepted accounting principles as promulgated by the standard setting bodies designated by the Council of the American Institute of Certified Public Accountants.

A.12. Audits of Exchange finances shall be conducted annually by a licensed independent public accounting firm in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

A.13. The Exchange shall submit copies of consolidated end-of-year Exchange financial statements and the annual audit report to the Center CFO and the NASA Exchange Official in the Headquarters Logistics Management Division.

Area 2: Vague Policy Language Regarding the Waiver Requirement Led to Inconsistent Application and Interpretation

The current policy does not specify that a waiver should be obtained in advance of the annual audit or review. As a result, the Headquarters and Glenn Research Center Exchanges relied upon an advance written approval provided 17 and 10 years ago, respectively, as a basis for a review of the financial statements in lieu of an audit. Over the 17- and 10-year periods, a policy was not in place that required Headquarters and Glenn Research Center to provide evidence to the NASA Exchange official in advance of the financial statement period to justify their decision to receive a review. The current policies and procedures as written demonstrate the need for clearer policy language.

Criteria

NPD 9050.6 section A.12 states, in part:

Smaller Exchanges (i.e., less than \$500K total annual revenues), may perform a review in accordance with American Institute of Certified Public Accountants Standards for Accounting and Review Services, provided that the plan for doing so is fully justified and approved in writing, in advance, by the NASA CFO and the NASA Exchange Official in the Headquarters Logistics Management Division.

Area 3: Audit Reports Were Not Submitted to the NASA Exchange Official Timely

The audit reports of the Goddard Employee Welfare Association, Headquarters, Kennedy Space Center, Langley Research Center, Stennis Space Center, and Wallops Exchanges were not completed before the February 28 deadline established in the internal NASA guidance. Formal requests for extensions were requested and granted for the Goddard association, Headquarters, Langley, and Wallops. It is unclear whether formal requests for extensions were requested by Kennedy and Stennis.

Criteria

NPD 9050.6 section A.13 states, in part:

The Exchange shall submit copies of consolidated September 30 end-of-year Exchange financial statements and the annual audit report by February 28 of the following year.

We believe that additional attention should be given in these areas to improve the overall efficiency of the Exchange financial reporting process.