

DECEMBER 6, 2006

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QUALITY CONTROL REVIEW REPORT

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OFFICE OF AUDITS

IG-07-010

QUALITY CONTROL REVIEW OF ARGY, WILTSE &  
ROBINSON, P.C., OFFICE OF MANAGEMENT AND  
BUDGET CIRCULAR A-133 AUDITS OF THE NATIONAL  
INSTITUTE OF AEROSPACE ASSOCIATES FOR FISCAL  
YEAR ENDED SEPTEMBER 30, 2004

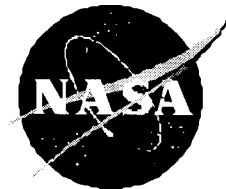
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OFFICE OF INSPECTOR GENERAL

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National Aeronautics and  
Space Administration

REPORT No. IG-07-010 (ASSIGNMENT No. A-06-030-00)

## Acronyms

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AICPA	American Institute of Certified Public Accountants
AWR	Argy, Wiltse, & Robinson, P.C.
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
NASA	National Aeronautics and Space Administration
NIA	National Institute of Aerospace Associates
OMB	Office of Management and Budget

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National Aeronautics and  
Space Administration

**Office of Inspector General**  
Washington, DC 20546-0001



December 6, 2006

Ms. Leslie Pine, Partner  
Argy, Wiltse & Robinson, P.C.

Mr. Ken Sunshine, Chief Financial Officer  
National Institute of Aerospace Associates

**SUBJECT:** Quality Control Review of Argy, Wiltse & Robinson, P.C. Office of Management and Budget Circular A-133 Audits of the National Institute of Aerospace Associates for Fiscal Year Ended September 30, 2004 (Report No. IG-07-010)

We are providing this report for your information and use. The audit firm of Argy, Wiltse & Robinson, P.C. (AWR), located in McLean, Virginia performed a single audit of the National Institute of Aerospace Associates (NIA) for the fiscal year (FY) ended September 30, 2004 (FY 2004). Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," requires these audits.

**Background.** The NIA is a nonprofit research and graduate education institute created to conduct leading-edge aerospace and atmospheric research, develop new technologies for the nation, and help inspire the next generation of scientists and engineers. The NIA was formed by a consortium of leading research universities. Members include: Georgia Institute of Technology, Hampton University, North Carolina A&T State University, North Carolina State University, the University of Maryland, the University of Virginia, Virginia Polytechnic Institute and State University, Old Dominion University, the College of William and Mary, and the American Institute of Aeronautics and Astronautics Foundation. The NIA serves as a strategic partner with NASA Langley Research Center and the aerospace community to enable research creativity and expand technology development opportunities. The Institute integrates research and graduate education while creating new Government/academia/industry partnerships to solve tomorrow's problems today.

**Quality Control Review Objectives.** As the oversight audit agency for the NIA, the NASA Office of Inspector General (OIG) performed a quality control review of the AWR audit of the Institute for FY 2004. The objectives of our quality control review were to determine whether AWR conducted audits in accordance with generally accepted government auditing standards (GAGAS) and the auditing and reporting requirements of OMB Circular A-133 and its related Compliance Supplement (the Supplement). OMB

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issued the Supplement to assist auditors in meeting the requirements of OMB Circular A-133. Enclosure 1 contains details of the scope and methodology of our review, requirements for single audits, and the latest peer review of AWR. Enclosure 2 contains the results of the AWR audit of the Institute for FY 2004.

**Review Results.** AWR's audit work complied with GAGAS general standards, the fieldwork standards for financial audits, and the reporting standards for financial audits and OMB Circular A-133 reporting requirements with no exceptions. AWR issued an unqualified opinion on the financial statement, Schedule of Expenditures of Federal Awards, and major program compliance. They noted no matters involving internal controls relating to financial statements or the major program that were considered material weaknesses for FY 2004.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. David L. Gandrud, Project Manager, at 650-604-2672. See Enclosure 3 for the report distribution. The review team members are listed inside the back cover of this report.



Evelyn R. Klemstine  
Assistant Inspector General for Auditing

3 Enclosures

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**QUALITY CONTROL  
REVIEW PROCESS**

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## **Scope and Methodology**

We conducted a quality control review of the AWR audit of the NIA for FY 2004 and of the resulting reporting package submitted to the Federal Audit Clearinghouse. We performed our review October 16–20, 2006, at the McLean, Virginia, office of AWR. For FY 2004, the NIA reported total Federal expenditures of \$11,745,870, all of which was attributable to NASA.

As the oversight audit agency responsible for performing the review we focused the review on six areas:

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

In conducting our review, we assessed the audit documentation prepared by AWR. We also discussed the audit with AWR 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 controls.

## **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. 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. The submission includes the following:

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- a data collection form certified by the auditee and auditor that the audit was completed in accordance with the Circular;
- financial statements and related opinions;
- a Schedule of Expenditures of Federal Awards and related opinion;
- a report on compliance and internal controls over financial reporting;
- a report on internal control over compliance for major programs;
- a report on compliance with requirements for major programs and related opinions;
- a schedule of findings and questioned costs;
- a summary schedule of prior audit findings, when appropriate; and
- a corrective action plan, when appropriate.

The Supplement assists auditors in identifying the compliance requirements that the Federal Government expects to be considered as part of the single audit. For each compliance requirement, the Supplement describes the related audit objectives for the auditor to consider in each audit conducted in compliance with OMB Circular A-133 as well as suggested audit procedures. The Supplement also describes the objectives of internal controls 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

The American Institute of Certified Public Accountants (AICPA) Audit Guide provides guidance on auditor responsibilities for conducting audits according to the Act and OMB Circular A-133. In general, the Audit Guide provides auditors with an understanding of the unique planning, performance, and reporting considerations for single audits performed in compliance with GAGAS. In addition, the Audit Guide uses summary tables and detailed discussions to provide the auditor with an understanding of the additional GAGAS general, fieldwork, and reporting requirements, including the additional standards relating to quality control systems, continuing professional education, working papers, audit follow-up, and reporting.

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The Audit Guide emphasizes that, when planning an audit to meet the requirements of OMB Circular A-133, several factors should be considered in addition to those ordinarily associated with an audit of financial statements in accordance with generally accepted auditing standards and GAGAS. The factors include but are not limited to the following:

- determining that the Schedule of Expenditures of Federal Awards is presented fairly in relation to the financial statements taken as a whole.
- determining major programs for audit using a risk-based approach.
- determining compliance requirements.
- gaining an understanding of internal controls over Federal programs.
- testing internal controls over major programs.
- determining compliance with laws, regulations, and the provisions of contract or grant agreements that have a direct and material affect on each major program.
- satisfying the additional requirements of the Act and OMB Circular A-133 for working papers, audit follow-up, and reporting.

### **Latest Peer Review**

We reviewed the most recent peer review report, issued August 18, 2004, on AWR prepared by Clifton Gunderson, LLP. Clifton Gunderson, LLP, determined that AWR met the requirements of the quality control review standards established by the AICPA and that AWR complied with the standards during the fiscal year ended March 31, 2004. The peer review found that the AWR had complied with the quality control standards during the year, providing the firm with reasonable assurance of conforming to professional standards. Based on the peer review conducted by Clifton Gunderson, LLP, we determined that there were no issues involving AWR that would warrant further attention during our report and working paper review.

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**RESULTS OF THE AWR AUDIT OF  
THE NIA FOR FY 2004**

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**AWR Audit Report**

On November 19, 2004, AWR issued its report on the financial statements, report on internal controls, and compliance with certain provisions of laws, regulations, contracts, and other matters for the NIA. The AWR auditors audited NIA's financial statements and the compliance requirements of the law, regulations, contracts applicable to each of its major federal programs.

The AWR auditors issued an unqualified opinion<sup>1</sup> on the financial statements, Schedule of Expenditures of Federal Awards, and major program compliance, and they noted no matters involving internal controls relating to the financial statements or the major program that were considered material weaknesses.<sup>2</sup>

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<sup>1</sup> An unqualified opinion means that the financial statements present fairly, in all material respects, financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

<sup>2</sup> The AICPA Audit Guide, May 1, 2003, Appendix D, defines a material weakness as a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



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**REPORT DISTRIBUTION**

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**Independent Audit Firm**

Argy, Wiltse, & Robinson, P.C.  
Ms. Leslie Pine, Partner

**Audited Organization**

Mr. Kenneth Sunshine, Chief Financial Officer, National Institute of Aerospace  
Associates

**NASA Headquarters**

Deputy Administrator  
Chief of Staff  
Chief Financial Officer  
Director for Procurement  
Director, Management Systems Division

**Non-NASA Federal Organizations**

Office of Management and Budget  
Deputy Associate Director, Energy and Science Division  
Branch Chief, Science and Space Programs Branch  
Technical Manager, Office of Federal Financial Management  
Government Accountability Office  
Director, NASA Issues, Office of Acquisition and Sourcing Management  
Federal Audit Clearinghouse

**Congressional Committees and Subcommittees, Chairman and  
Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Commerce, Justice, and Science  
Senate Committee on Commerce, Science, and Transportation  
Senate Subcommittee on Science and Space  
Senate Committee on Homeland Security and Government Affairs  
House Committee on Appropriations  
House Subcommittee on Science, State, Justice, and Commerce  
House Committee on Government Reform  
House Subcommittee on Government Management, Finance, and Accountability  
House Committee on Science  
House Subcommittee on Space and Aeronautics



Major Contributors to the Report:

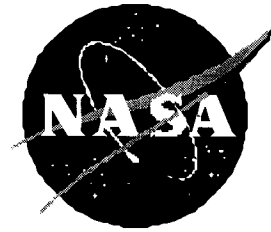
Catherine M. Schneiter, Financial and Institutional Management Director

David Gandrud, Project Manager

John Pacious, Auditor

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#### COMMENTS ON THIS REPORT

In order to help us improve the quality of our products, if you wish to comment on the quality or usefulness of this report, please send your comments to Ms. Jacqueline White, Director of Quality Assurance, at [Jacqueline.White@nasa.gov](mailto:Jacqueline.White@nasa.gov) or call 202-358-0203.

#### SUGGESTIONS FOR FUTURE AUDITS

To suggest ideas for or to request future audits, contact the Assistant Inspector General for Auditing. Ideas and requests can also be mailed to:

Assistant Inspector General for Auditing  
NASA Headquarters  
Washington, DC 20546-0001

#### NASA HOTLINE

To report fraud, waste, abuse, or mismanagement, contact the NASA OIG Hotline at 800-424-9183 or 800-535-8134 (TDD). You may also write to the NASA Inspector General, P.O. Box 23089, L'Enfant Plaza Station, Washington, DC 20026, or use <http://www.hq.nasa.gov/office/oig/hq/hotline.html#form>. The identity of each writer and caller can be kept confidential, upon request, to the extent permitted by law.