



National Science Foundation • Office of Inspector General
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MEMORANDUM

DATE: February 22, 2016

TO: Jeffery M. Lupis, Director
Division of Acquisition and Cooperative Support (DACS)

FROM: Dr. Brett M. Baker
Assistant Inspector General for Audit

A handwritten signature in black ink, appearing to read 'Brett M. Baker', is placed above the 'FROM:' field.

SUBJECT: NSF OIG Audit Report No. OIG-16-1-010, *Independent Audit Report on Booz Allen Hamilton, Inc.'s Actions to Correct Deficiencies Related to Compliance with DFARS 252.242-7006, Accounting System Administration*

We contracted with the Defense Contract Audit Agency (DCAA) to participate in an incurred cost audit of Booz Allen Hamilton (BAH) for FY 2008 that included two NSF contracts. That report was transmitted separately as OIG Report No. OIG-16-1-005.

In conjunction with that audit, DCAA also conducted an audit of BAH's actions to correct deficiencies related to compliance with DFARS 252.242-7006, accounting system administration. The report is attached.

DCAA reported that BAH had effectively implemented corrective actions to correct the significant deficiencies in BAH's information technology system general internal controls identified in DCAA's January 20, 2012 dated report on BAH's information technology system general internal control.¹ We are not making any additional recommendations from this report. The overall follow-up recommendation is part of the BAH FY 2008 incurred cost report cited above.

¹ DCAA Audit Report No. 6151-2009R11510006; *Independent Audit Report on Booz Allen Hamilton, Inc.'s Information Technology System General Internal Control*, dated January 20, 2012. We transmitted this report to NSF as OIG report 16-1-008.

To fulfill our oversight responsibilities, the Office of Inspector General monitored the audit in conjunction with the BAH FY 2008 incurred cost audit.

DCAA is responsible for the attached report and resulting conclusions.

We thank you and your staff for the assistance extended to us during the audit. If you have any questions about this report, please contact Sherrye McGregor at (703) 292-5003 or Jannifer Jenkins at (703) 292-4996.

Attachment: DCAA Audit Report No. 6151-2012Q11510001; *Independent Audit Report on Booz Allen Hamilton, Inc. 's Actions to Correct Deficiencies Related to Compliance with DFARS 252.242-7006, Accounting System Administration*, dated July 24, 2013.

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SUBJECT OF AUDIT

We have examined Booz Allen Hamilton, Inc. U.S. Government (BAH)'s corrective actions related to significant deficiencies in BAH's information technology (IT) general internal controls system reported in Audit Report No. 6151-2009R11510006, dated January 20, 2012. If not corrected, those deficiencies will result in non-compliances with DFARS 252.242.7006.

BAH is responsible for correcting the reported significant deficiencies. Our responsibility is to express an opinion on BAH's corrective actions based on our examination.

SCOPE OF AUDIT

We conducted our examination in accordance with Generally Accepted Government Auditing Standards (GAGAS), except DCAA does not currently have an external opinion on its quality control system as required by GAGAS. The most recent external quality control review opinion expired on August 26, 2009. Our examination included:

- obtaining an understanding of the portions of the contractor's internal control for the identified control objectives and activities;
- examining, on a test basis, evidence supporting whether the contractor effectively implemented corrective actions to correct the previously reported deficiencies; and
- performing such other procedures as we considered necessary in the circumstances.

Our examination was limited to the contractor's corrective actions related to the previously reported significant deficiencies that resulted in noncompliance with the system criteria at DFARS 252.242-7006(c)(1) and DFARS 252.242-7006(c)(8), which require that the contractor's IT system general internal controls provide for:

- A sound internal control environment, accounting framework, and organizational structure
- Management reviews or internal audits of the system to ensure compliance with the Contractor's established policies, procedures, and accounting practices

Test procedures were applied from May 4, 2012 to June 21, 2013. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on BAH's compliance with DFARS 252.242-7006.

We note that subsequent to the completion of fieldwork, it was determined that more current testing and verification procedures were necessary to assess the status of the two outstanding deficiencies ([REDACTED]) due to outdated testing. As a result, we obtained an updated listing of [REDACTED]

[REDACTED] as of May 16, 2013 to test whether policies and procedures relating to the process of [REDACTED] are executed appropriately. The application of retesting procedures confirmed that the [REDACTED] deficiency has been successfully corrected as of May 16, 2013.

In addition, we obtained an updated listing of JAMIS Security Group Profiles and the non-read access granted under each Security Group as of June 21, 2013, to test whether policies and procedures relating to the segregation of duties are executed appropriately. Our updated procedures confirmed that the deficiency related to Privileged Users with Inappropriate and Excessive JAMIS Application Access has been successfully corrected as of June 21, 2013.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over the source document scanning system to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

RESULTS OF AUDIT

In our opinion, BAH has effectively implemented corrective actions to correct the significant deficiencies in BAH's information technology (IT) system general internal controls reported in Audit Report Number 6151-2009R11510006, dated January 20, 2012.

During the course of our examination, it was determined that the contractor's corrective actions did not effectively correct two of the five original deficiencies. On July 20, 2012 and October 3, 2012 we issued deficiency letters notifying the contractor that the Lack of Control Over Access Request Process for Employees Accessing the Data Center and Excessive JAMIS Application Access, respectively, were still deficient. However, subsequent to the issuance of the report, it was determined that more current retesting of the status of the deficiencies was warranted due to outdated testing. We reviewed and tested the contractor's corrective actions and determined that the contractor had successfully implemented corrective actions with respect to the two remaining deficiencies. The conditions, recommendations, and subsequent corrective actions taken by BAH are detailed in the "Statement of Conditions and Recommendations," beginning on Page 3.

Our examination was limited to the evaluation of previously reported deficiencies that, if not corrected, will affect the contractor's compliance with DFARS 252.242-7006 and did not include procedures sufficient to form an opinion on the allowability of the costs incurred. The procedures necessary to form such an opinion will be performed during our separate audit of the contractor's certified final indirect cost rate proposal and related books and records.

Audit Report No. 6151-2012Q11510001

We discussed the results of our initial audit with [REDACTED], Senior Associate of Internal Audit, at an exit conference held on October 2, 2012. We provided the contractor with a notification of deficiency letters on July 12, 2012 and October 3, 2012. The contractor's written responses to our conditions and recommendations are presented in this report as Appendix A.

A second exit conference was held with [REDACTED] on June 21, 2013 addressing the results of our updated test and verification procedures pertaining to the corrective actions implemented to correct the two previously reported deficiencies.

We would like to express appreciation for the contractor's support and cooperation extended during the audit.

The remainder of this report contains non-public material and is not posted.