




National Science Foundation • Office of Inspector General
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MEMORANDUM

DATE: February 19, 2016

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

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

SUBJECT: **NSF OIG Audit Report No. OIG-16-1-008**, *Independent Audit Report on Booz Allen Hamilton, Inc.'s Information Technology System General Internal Control*

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 information technology (IT) system general internal control. The report is attached.

DCAA disclosed significant deficiencies that it considered to be material weaknesses in the design or operation of the IT system general internal controls that it believed could adversely affect BAH's ability to initiate, authorize, record, process, and/or report costs in a manner that is consistent with applicable Government contract laws and regulations. The auditor recommended suspension of a percentage of progress payments or reimbursement of costs. The contractor concurred with the deficiencies cited in the report and submitted a corrective action plan that proposes to correct the significant deficiencies. 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.

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. 6151-2009R11510006; *Independent Audit Report on Booz Allen Hamilton, Inc.'s Information Technology System General Internal Control*, dated January 20, 2012.

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SUBJECT OF AUDIT

We have examined Booz Allen Hamilton, Inc. (BAH)'s information technology (IT) system general internal controls as of August 11, 2011 to determine if its IT system general internal controls:

- comply with applicable laws and regulations,
- are effective over compliance with applicable laws and regulations, and
- are adequate and operating effectively.

BAH is responsible for establishing and maintaining adequate IT system general internal controls. Our responsibility is to express an opinion on the adequacy of the IT system general internal controls based on our examination.

EXECUTIVE SUMMARY

BAH's IT system general internal controls are inadequate. Our examination disclosed five significant deficiencies that are considered to be material weaknesses in BAH's IT system general internal controls relating to Logical and Physical Security, that result in adversely affecting the organization's ability to initiate, authorize, record, process, and/or report costs in a manner that is consistent with applicable Government contract laws and regulations. As a result, we recommend you pursue a suspension of a percentage of progress payments or reimbursement of costs in accordance with DFARS 242.7502.

SIGNIFICANT ISSUES

Our examination disclosed the following five significant deficiencies considered to be material weaknesses in BAH's IT system general internal controls.

- Privileged User with Inappropriate and Excessive JAMIS Accounting System Access.
- Inadequate Controls for Timely Removal of Terminated JAMIS User Accounts.
- Inadequate Review and Removal of JAMIS Inactive User IDs.
- Lack of JAMIS Account Lockout After Invalid Logons.
- Lack of Approved Access Request Forms for Employees Accessing the Data Center.

SCOPE OF AUDIT

We conducted our examination in accordance with generally accepted government auditing standards, except DCAA does not currently have an external opinion on its quality control system as required by GAGAS 3.55. The most recent external quality control review opinion expired on August 26, 2009. GAGAS require that we obtain a sufficient understanding of internal controls to plan our examination and determine the nature, timing, and extent of tests to be performed. An examination of internal controls includes:



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- identifying relevant system control objectives and associated control activities,
- obtaining an understanding of all applicable components of internal control for the identified control objectives and activities,
- determining if the internal controls are adequate and in operation, and
- assessing control risk to use as a basis for planning the nature, timing, and extent of substantive testing in other attestation audits.

We evaluated the IT system general internal controls using the applicable requirements contained in the:

- Federal Acquisition Regulation (FAR);
- Defense FAR Supplement (DFARS);
- Cost Accounting Standards (CAS); and
- Information System Audit and Control Association (ISACA) Control Objectives for Information and Related Technology (COBIT).

Our examination specifically tested the IT system general internal control procedures associated with the following control objectives:

- Independent Management Reviews;
- Organization;
- Software Acquisition, Development, and Modification;
- IT Computer Operations;
- Security; and
- Contingency Plans.

Test procedures were applied from December 21, 2010 to August 11, 2011.

We believe that our examination provides a reasonable basis for our opinion.

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 IT 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, the IT system general internal controls of BAH are inadequate.

Our examination disclosed certain significant deficiencies that are considered to be material weaknesses in the design or operation of the IT system general internal controls. In our judgment, these deficiencies could adversely affect the organization's ability to initiate, authorize, record, process, and/or report costs in a manner that is consistent with applicable

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Government contract laws and regulations. As a result, we recommend you pursue a suspension of a percentage of progress payments or reimbursement of costs in accordance with DFARS 242.7502. The conditions are detailed in the “Statements of Conditions and Recommendations,” on page 4 and summarized below:

- Privileged User with Inappropriate and Excessive JAMIS Accounting System Access.
- Inadequate Controls for Timely Removal of Terminated JAMIS User Accounts.
- Inadequate Review and Removal of JAMIS Inactive User IDs.
- Lack of JAMIS Account Lockout After Invalid Logons.
- Lack of Approved Access Request Forms for Employees Accessing the Data Center.

Based on the results of our audit of the contractor’s General Internal Controls system and our control risk assessments, we will perform increased substantive testing (i.e., analytical procedures and/or transactions tests) in the following areas: incurred indirect and other direct costs, and incurred labor costs.

We examined only the IT system general internal controls. Accordingly, we express no opinion on BAH’s system of internal controls taken as a whole.

We discussed the results of our examination with [REDACTED], Director of Regulatory Compliance in an exit conference held on September 9, 2011. The complete text of the contractor’s response appears as an Appendix to this report. We would like to express appreciation for the contractor’s support and cooperation extended during the audit.

NSF OIG Redactor's Note of 2-28-16:

See OIG Report No. 16-1-010, which transmits DCAA Report No. 6161-2012Q11510001: *Independent Audit Report on Booz Allen Hamilton, Inc.'s Actions to Correct Deficiencies Related to Compliance with DFARS 252.242-7006, Accounting System Administration*, July 24, 2013.

The transmittal states: "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 p. 1.

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."

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