

***National Aeronautics and Space Administration
Advisory Council***

Audit, Finance, and Analysis Committee

July 31, 2013

Members:

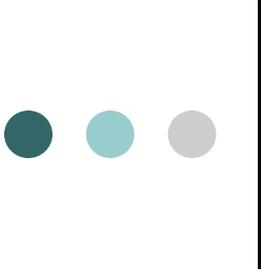
Mr. Robert Hanisee, Chairman

Hon. William Campbell

Hon. Michael Montelongo

Dr. Howard Stanislawski

Mr. Jeffrey Steinhoff



Audit, Finance & Analysis Committee

Abridged Agenda

Meeting July 29 – July 30, 2013

Deputy Chief Financial Officer Update

*Pam Hanes, NASA DCFO, Agency
Financial Management*

System Division Update

*David Mielke, Deputy Director, Financial &
Budget Systems Management Division*

Conference Update

*Joe McIntyre, Associate Deputy CFO for
Finance*

Budget Update

*Andrew Hunter, NASA DCFO, Agency
Budget, Performance, and Strategy*

DCFO Hot Button Issues

*Pam Hanes, NASA DCFO Agency
Financial Management*

Unfunded Environmental Liability Update

*Kenneth Kumor, Environmental
Management Division*

Unfunded Environmental Liability – Asbestos Estimation

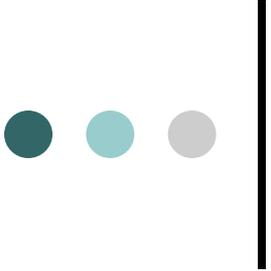
*Michelle Butler and Irvin Bigay, Property
Division*

FY 2013 Financial Statement Audit Update

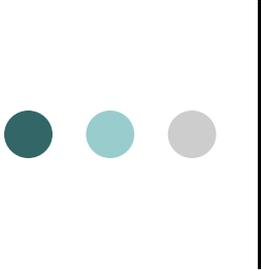
*Walt Fennell, Price WaterhouseCooper's,
Engagement Partner*

OIG Audit Update

*James Morrison, Assistant Inspector
General for Audit*

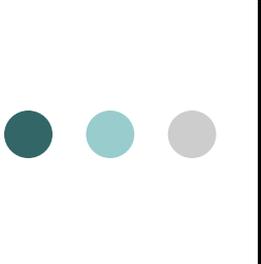


***DEPUTY CHIEF FINANCIAL OFFICER
(DCFO) UPDATE***



DCFO Update

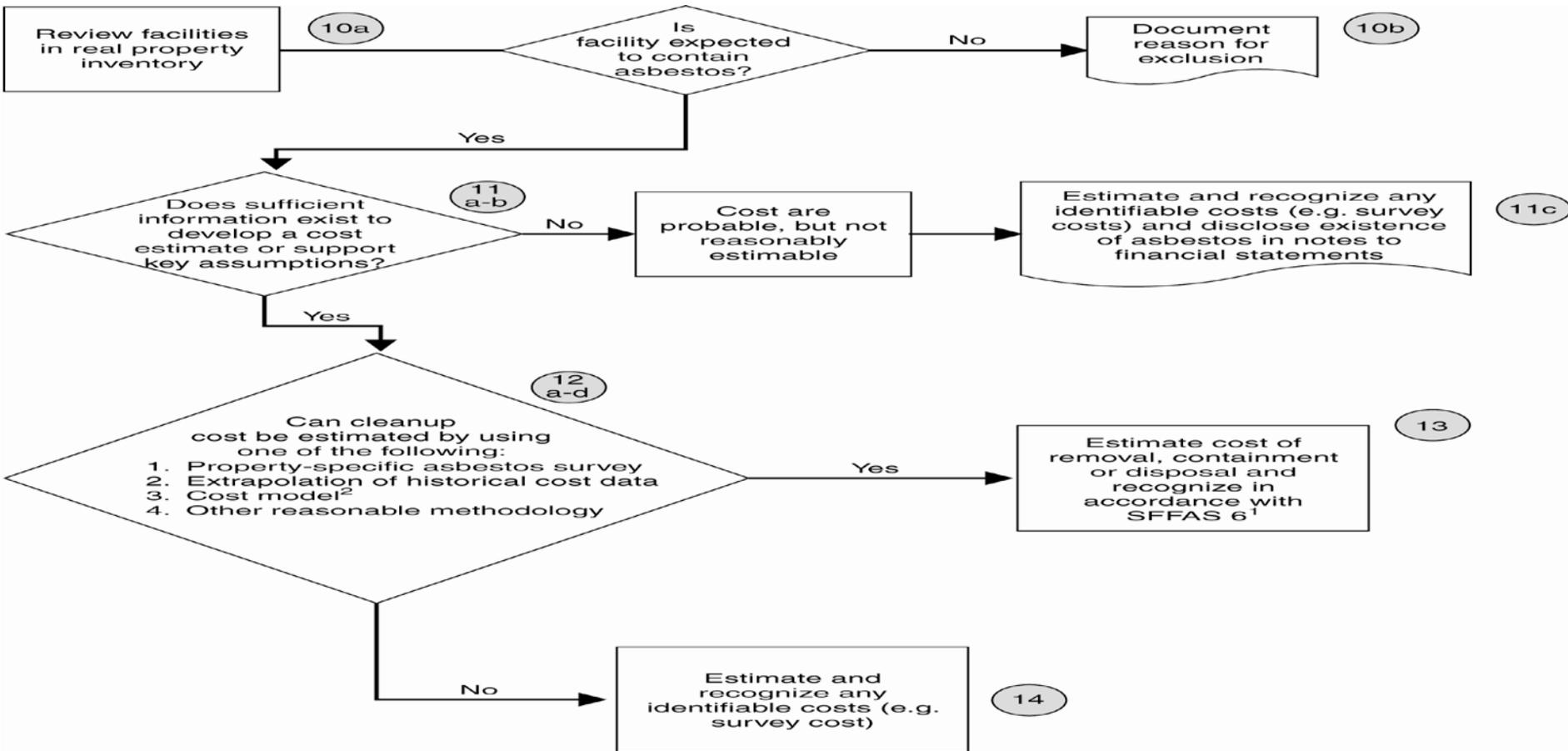
- Beth Robinson – NASA CFO
 - Nominated Department of Energy, Under Secretary
 - Andrew Hunter – Acting CFO until new CFO in place
- Beverly Veit – New Director, Financial & Budget Systems Management Division
 - Comes to NASA from U.S. Navy
 - Possess extensive SAP experience
- 2013 Financial Statement Audit – Underway
 - No show stoppers
 - One Notice of Finding and Recommendation (Repeat) – Communication of NASA’s Jet Propulsion Laboratory Cost Monitoring – *“lack of formal communication between the program offices reviewing the cost information and the office recording the contract costs.”*



DCFO Update

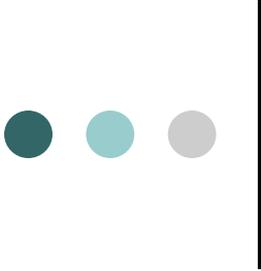
- Environmental Liability
 - Asbestos cost estimation - first year of implementation
 - 3 areas of concern:
 - 1) No Industry Standard for calculating unit cost
 - 2) Transportation and disposal costs
 - 3) Define unique facilities
 - All Bounded by cost
- Estimating asbestos remediation
 - Financial accounting standards allow estimate to develop an auditable cost estimate - Technical Release 10, *“Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment.”*

General Approach to Determining, Estimating and Recognizing Asbestos Cleanup Costs



¹In accordance with the requirements of SFFAS 6, pars. 97 & 101, and TR2.

²A cost model is a framework upon which an estimating methodology is developed. The model may use mathematical equations to convert resource data into cost data and require users to enter a minimal amount of information to generate cleanup cost estimates.



eInvoicing Pilot

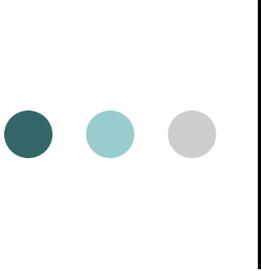
Initiative: Demonstrate electronic processing of NASA invoices utilizing DoD's Wide Area Workflow (WAWF) solution.

Initiative Began: August 2011

Pilot Participants: OCFO, Procurement, NSSC, NEACC, MSFC, Department of Defense/Department of Navy

Current Status: To date 29 invoices totaling \$209,795,491.67 have been successfully paid against Boeing contract NNM07AB03C using the non-interface test pilot. The interim vouchers were processed in WAWF by DCAA. Met with Navy representatives and WAWF consultants to discuss Navy's experience with WAWF. A high-level overview revealed the need for middleware to align accounting line items to Contract Line Items Numbers (CLINs).

Next Steps: Begin development of interfaces files to automate processing. Implementation targeted for January 2013.



NAC Presentation – WAWF DOD e-invoicing solution

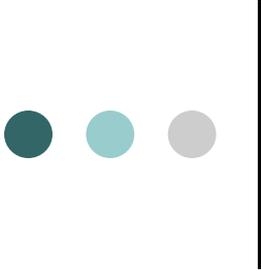
Phase I successfully went live on Monday, May 6, 2013. Phase I scope included

- Capabilities to create, route Invoices to Defense Contract Audit Agency/ Defense Contract Management Agency for approval
- Over 70 invoices have been processed in WAWF.

Phase II is scheduled to go-live October 1, 2013. Phase II scope includes

- All vendors currently utilizing WAWF.
- Automated invoice rejection functionality. NASA contract information will be available in WAWF/DoD's Electronic Document Access (EDA) system.
- Capabilities to create, route to DCAA/DCMA or the NASA Contracting Officer or Delegate for approval and park/post in SAP.
- Integrated Center Invoice Approval, Fund and Cost Notification and Report Requirements utilizing DoDAAC (Department of Defense Activity Address Code)

Developing workflows for the NAMS (NASA's Account Management System) sandbox. NAMS will be used in Phase II and beyond for users₇ to request access to WAWF.



E-Gov Travel Service 2 (ETS2)

Requirement: Transition NASA e-travel solution from ETS1 to ETS2

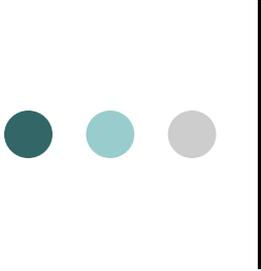
Contract Award Date: Q3 2012

Implementation Date: Q1 FY14

Managing Agency: General Services Administration (GSA)

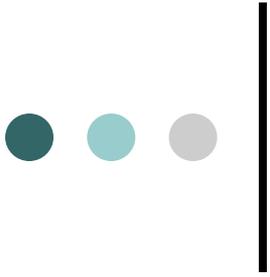
Background: June 4, 2012, GSA announced that a competitively bid contract was E-Gov Travel Service 2 (ETS2) awarded for the next generation of E-Gov Travel Service (ETS2) to Concur Technologies, Inc.

Current Status: June 15, 2012, Carlson Wagonlit Government Travel d/b/a CWTSato Travel, filed a protest with the Government Accountability Office (GAO) on the single ETS2 award to Concur. This protest triggered an automatic “stay”, barring the government from communicating with Concur. On June 18, 2012, GSA issued a “stop work” order to Concur. Per GAO’s protective order, GSA may not discuss the specifics of the protest. GSA has informed agencies they may continue to plan for the ETS2 transition as well as GSA will continue to support agencies with their ETS2 budgets, SOWs/RFQs and project plans. GAO decision is due September 24, 2012. Next steps will be determined by the GAO decision

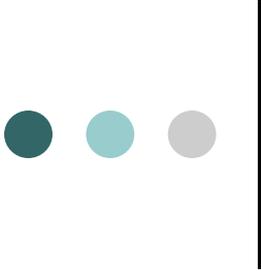


ETS2 Concur Gov. Edition (CGE) System

- Schedule for Go-Live is Feb. 1, 2014
- NAMS will be HR system to create roles for Travelers, Preparers and Approvers in CGE
- Completed first of three rounds of integrated testing last week.
- Standardized decisions reached to date
 - Economy car will be set as default when selecting Rental Car
 - Number of Days to ticket before Travel Date -10 Days (Domestic) and 14 days (Foreign)



CONFERENCE UPDATE



Conference Update

Congressional Inquiries

- Follow-up from Congressman Issa – received March 14, 2013
 - 15 named large dollar conferences

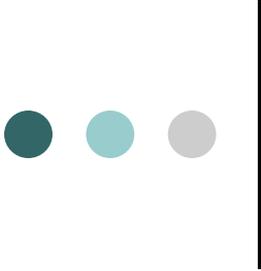
Action:

- Provided Congressman Issa's office a letter explaining the necessity of science and technical conferences in order to complete NASA's mission of disseminating information.
- Provided a brief summary of all 15 listed conferences
- Provided the agendas for all 15 conferences

Response: There has been no response to the reply from Congressman Issa's office in the 6 weeks since it has been delivered.

IG Report on Select Conferences

- IG report contains five recommendations, four of them are for action by the OCFO (1, 2, 4, and 5) and one of them is for action by OGC (*recommendation 3*).
- OCFO & OGC concurred with all the recommendations
- An Action plan is currently under development to implement all recommendations
- IG Report Recommendations:
 - 1) Improve conference guidance regarding the process for establishing partnering relationships and the appropriate roles of partners in planning and managing a conference to limit the risk of an augmentation of appropriated funds.
 - 2) Work with the Office of General Counsel to determine whether any NIA Foundation contributions to the 2011 IT summit inappropriately augmented NASA's appropriations and address any issues identified.



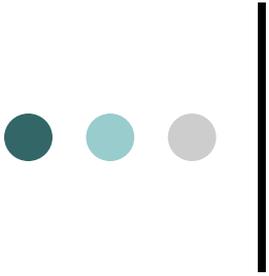
Conference Update

IG Report Recommendations Continued:

- 3) Update the standard questions used to evaluate Widely Attended Gathering (WAG) requests to make clear that gifts are valued at the retail cost to the employee and that for meals this figure includes both food and beverages, as well as taxes and service charges.
- 4) Enhance NASA's conference guidance by:
 - Providing criteria for and examples of acceptable planning and conference costs, including whether travel costs for site selection scouting trips, off-site planning meetings, or conference "dry-runs" are acceptable and requiring these estimated and actual costs be included on NASA Forms (NF) 1784 and 1785.
 - Requiring increases of 10 percent or more in specific cost categories above a certain threshold be approved by appropriate officials.
 - Requiring conference planners to obtain quotes from at least three conference sites and retain documentation from these cost comparisons.
- 3) Develop a methodology for gathering costs billed to NASA for contractor employees who attend NASA-sponsored conferences with significant contractor attendance.

NASA Conference Tracking System (NCTS)

- Enhancements have been identified and are currently under evaluation:
- Facilitate easy entry of Information
- Enhanced reporting of approved and disapproved conferences
- Workflow: system facilitated conference approval request submission and processing



BUDGET UPDATE

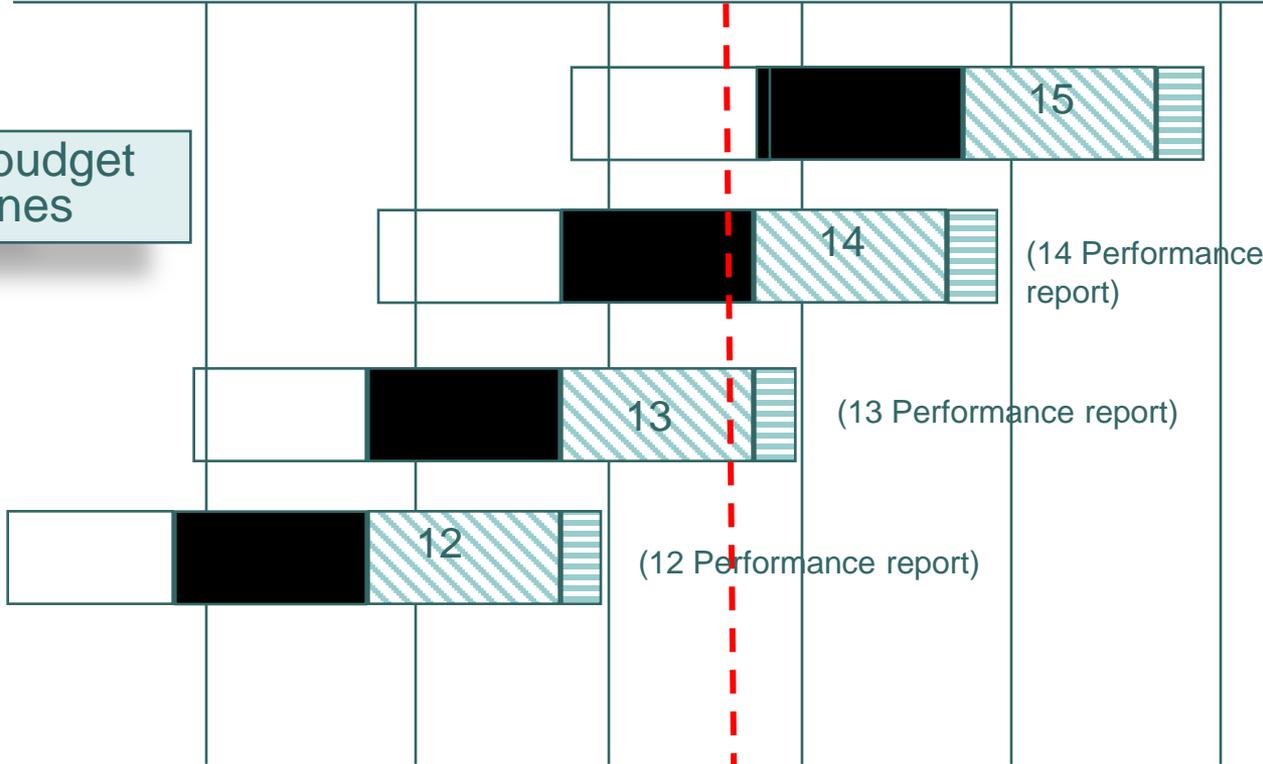
Budget Cycles In Play

● ● ●
Calendar yr

FY Budget
PPBE cycle

10 11 12 13 14 15

Concurrent budget
baselines



15: Review Budget decisions and prepare budget to OMB Sept 9.

14: Assessing House and Senate marks...resolution TBD.

13: Initial Operating Plan

12: Audit and PAR complete...preparing for FY 13.

(14 Performance report)

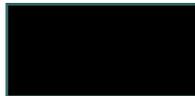
(13 Performance report)

(12 Performance report)

Time now



Formulation



Advocacy



Execution



Audit/Evaluation

Status of PY 2013 Funds (Agency-Wide)

As of end of June 2013

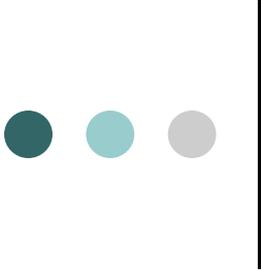
92% of FY 13 appropriations is distributed and made available for Centers to



FY 14 – A long Path to Final

(\$ in millions)

	FY 2013		FY 2014			
	P.L. 113-6 Less Sequester	Request	House		Senate	
			House CJS DRAFT 7/10/13	Change from PBR	Senate CJS Draft 7/18/13	Change from PBR
NASA FY 2014	16,865.2	17,715.4	16,598.3	-1,117.1	18,010.3	294.9
Science	4,781.6	5,017.8	4,781.0	-236.8	5,154.2	136.4
Earth Science	1,659.2	1,846.1	1,659.0	-187.1	1,846.2	0.1
Planetary Science	1,315.3	1,217.5	1,315.0	97.5	1,317.6	100.1
Jupiter/Europa	69.7		80.0	80.0		
Astrophysics	621.9	642.3	622.0	-20.3	678.4	30.0
James Webb Space Telescope	583.8	658.2	584.0	-74.2	658.2	0.0
Heliophysics	601.4	653.7	601.0	-57.2	653.8	-4.4
Aeronautics Research	529.5	565.7	566.0	0.3	558.7	-7.0
Space Technology	599.8	742.6	576.0	-166.6	670.1	-72.5
Exploration	3,613.9	3,915.5	3,612.0	-303.5	4,209.3	293.8
Exploration Systems Dev	2,838.8	2,730.0	2,825.0	95.0	3,118.2	388.2
Orion MPCV	1,113.8	1,026.8	1,050.0	23.2	1,200.0	173.2
Space Launch Systems*	1,725.0	1,703.1	1,775.0	71.9	1,918.2	215.1
Launch Vehicle Dev (inc. support)	1,350.2	1,384.9	1,476.0	91.1	1,600.0	215.1
Exp Ground Systems	374.8	318.2	299.0	-19.2	318.2	0.0
Commercial Spaceflight	488.5	821.4	500.0	-321.4	775.0	-46.4
Exploration Research & Dev	286.6	364.2	287.0	-77.2	316.1	-48.1
Space Operations	3,825.1	3,882.9	3,670.0	-212.9	3,882.9	0.0
Space Shuttle	67.7	0.0				
International Space Station	2,860.1	3,049.1	2,860.0	-189.1	3,049.1	0.0
Space & Flight Support (SFS)	897.4	833.8	810.0	-23.8	833.8	0.0
Education	122.4	94.2	122.0	27.8	116.6	22.4
Cross-Agency Support	2,711.0	2,850.3	2,711.0	-139.3	2,793.6	-56.8
Construction & Envrmtl Compl & Restoration	646.6	609.4	525.0	-84.4	586.9	-22.5
Inspector General	35.3	37.0	35.3	-1.7	38.0	1.0

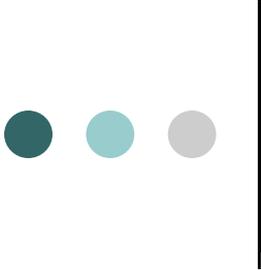


House Mark – Thru Full committee

- House Appropriations Committee (Chm. Rogers, R-KY) marked up the FY 2014 Commerce, Justice, Science appropriations bill. As reported, the bill assumes a total 302(b) allocation of \$47.4B, which is \$5B below the Senate CJS appropriations allocation of \$52.2B. Total funding for NASA in the bill is \$16.598B, a reduction of \$1.117B from the President's request. By account, the bill provides the following:
 - Science, \$4.781B (-\$236.8M); Europa formulation earmarked at \$80.0M.
 - Aeronautics, \$566.0M (no change from request)
 - Space Technology, \$576.0M (-\$166.6M)
 - Exploration, \$3.612B (-\$303.5
 - Space Operations, \$3.670B (-\$212.9M)
 - Education, \$122.0M (+\$27.9M)
 - CAS, \$2.711B (-\$139.3M)
 - CECR, \$525.0M (-\$84.4M)
 - IG, \$35.3M (-\$1.7M)
- House Science Committee marked up H.R.2687, FY 2014 NASA authorization bill. Bill authorizes \$16.865B for FY 2014, and \$16.865B for FY 2015. The bill was adopted by a party line vote of 22 ayes, 17 nays.

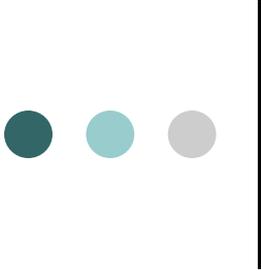
Senate Mark – thru Full Committee

- Senate Appropriations Committee (Chairwoman Mikulski, D-MD) marked up the FY 2014 Commerce, Justice, Science appropriations bill. As reported, the bill assumes a total 302(b) allocation of \$52.3B, \$5B above the House Subcommittee allocation of \$47.4B. Total funding for NASA in the bill is \$18.010B, an increase of \$294.9M above the President 's request. By account, the bill provides the following:
 - Science, \$5.154B (+\$136.4M)
 - Aeronautics, \$558.7M (-\$7.0M)
 - Space Technology, \$670.1M (-\$72.5M)
 - Exploration, \$4.209B (+\$293.8M)
 - Space Operations, \$3.883B (NC)
 - Education, \$116.6M (+\$22.4M)
 - CAS, \$2.794B (-\$56.7M)
 - CECR, \$586.9M (-\$22.5M)
 - IG, \$38.0M (+\$1.0M)
- Senate Commerce Committee introduced S. 1317, FY 2014 NASA authorization bill. Bill authorizes \$18.1B for FY 2014; \$18.46B for FY 2015, and \$18.83B for FY 2016.



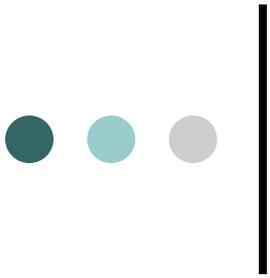
Sequestration Considerations

- The Sequestration Preview Report set the FY 2014 caps to total \$967 billion (down from \$1,058 billion), which includes a 7.3% reduction to non-defense spending. (Note: There are separate defense and non-defense caps.) Expected reductions to particular non-defense agencies will vary however, depending on agency exclusions (e.g., VA).
- If an appropriations bill exceeds the caps on defense spending, non-defense spending or both, there is a points of order (numbered 312(b)) against the bill on the Senate floor, subject to a waiver by 3/5ths of the Members.
- Senate Republicans have said that they will enforce this point of order, and they are expected to be able to block any waiver of the point of order, so the bill could not be considered.
- Thus, it appears at this point – without a larger agreement – Congress cannot pass an appropriations bill exceeding the caps.

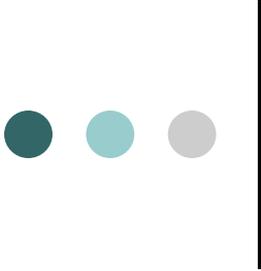


What Happens on October 1?

- Unlikely:
 - Conference report on a joint House and Senate Budget Resolution that includes an agreement on discretionary limits
 - Movement on a deal to allow the debt ceiling increase (the debt breach is currently projected to occur in October, 2013)
- The most likely scenario is that Congress passes a CR – like it did last year – at the non-sequestered cap level, followed by a sequester. The conservative assumption is that NASA’s funding level would not include FY 2013 or FY 2014 credits and be approximately \$16.1 billion, down from \$16.9 billion in FY 2013 and from \$17.7 billion requested in FY 2014.
 - OMB will then issue a sequester after Congress adjourns
 - NASA’s level would drop from the level in the CR by the sequester percentage cut – pro rata by appropriation
 - Thus, no matter what, to exceed the sequestered level, Congress must pass a law, signed by the President, to raise the caps and specifically alleviate the sequester.
- Likely path forward: Begin to adjust to a \$16.1 billion spending level starting on October 1st, include guidance from the House and Senate bills (e.g., on education consolidation).

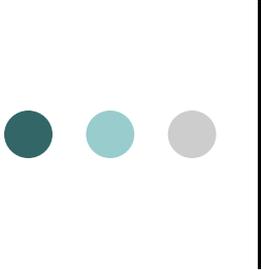


DCFO HOT BUTTON ISSUES



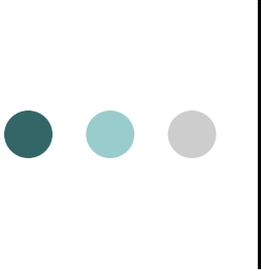
DCFO Hot Button Issues

- Emerging Mandates
 - OMB M-11-32 Acceleration of Payments to Small Businesses i.e., 15 days
 - Difficult to complete all quality control steps invoice – PO – confirmation work done
- OMB Charge Card Implementation Guidance
 - Violations – schedule of penalties/report
 - Assurance – over internal controls – beginning 2013
 - Risk Assessment – OIG perform/report
- Financial Systems for Shared Services
 - OMB Directive M-13-03



Financial System for Shared Services - Current Landscape

- Total financial management spend is **~\$8.4 B** across 24 agencies, with almost **55,000 financial management FTEs**
- **Few agencies performing at scale** on transactional processing
- Agencies **configure systems to their own specific processes**, driving greater **upgrade and maintenance costs**
- Past upgrades and transitions have **resulted in significant cost** and time over-runs
- Many agencies are **unable to quickly provide data for government-wide efforts or make required enhancements**



Financial System for Shared Services - Improving Financial Systems Through Shared Services

- On March 25, 2013 the Office of Management and Budget (OMB) issued **Memorandum M-13-08, Improving Financial Systems Through Shared Services:**

*... “directs **all executive agencies to use, with limited exceptions, a shared service solution** for future modernizations of core accounting or mixed systems”*

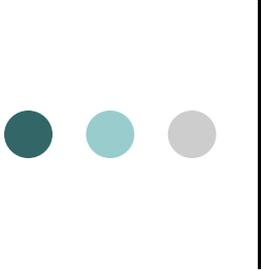
*... “OMB’s guiding principle will be to support plans that offer the **best value for the Federal Government**”*

*... “FIT will work with OMB, federal shared service providers (FSSPs), and the broader Federal financial management community to design and implement improvements to the current FSSP framework, including **expansion of FSSPs’ capabilities and an enhanced governance model to ensure FSSP accountability**”*



Financial System for Shared Services - Benefits to be Gained by Financial Management Shared Services

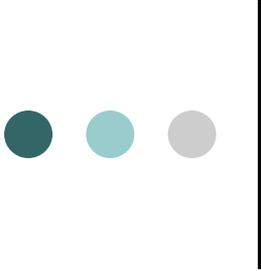
- Reduce risk of **failed systems implementations** (cost avoidance) through adoption of common processes
- Free up agency resources to focus on **mission-based programs**
- Ensure greater **standardization of data** which allows for more **transparency**
- Enable **better decision-making** by focusing resources on **improved data analytics**
- Make adoption of new **government-wide requirements easier**
- Deliver greater **efficiencies** and **cost savings for the federal government**



Financial System for Shared Services

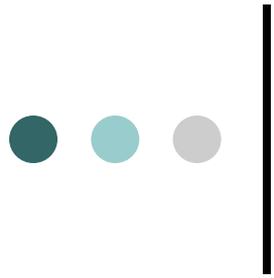
- Shared Services Strategy

- Leverage SSPs for **systems** Shift agency-hosted financial systems to SSP hosting and consolidate agency servers and data centers
- Reduce number of unique instances through standardized SSP solutions
- Leverage existing SSP O&M teams for system and infrastructure support
- Increase use of **strategic sourcing** through a more centralized procurement team with a government-wide view
- Shift day-to-day **transaction processing** to SSP (optional)

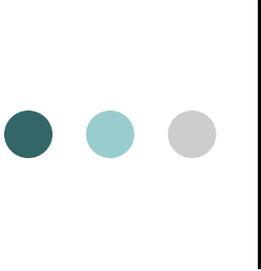


Financial System for Shared Services - Next Steps

- Designate SMEs from you agency to participate in the following: Marketplace Development Financial Systems Director or Principal Deputy
- FAME (Financial) Systems Accountant/Capital Planning Lead
- Benchmarking/ Products & Services Catalog Finance/Accounting Director or Principal Deputy



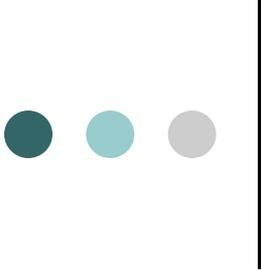
ENVIRONMENTAL LIABILITY UPDATE



ENVIRONMENTAL LIABILITY (EL) UPDATE

Unfunded Environmental Liabilities Introduction:

1. **FY 2012 Audit Findings and Progress on NFRs to date:**
 - Remediation (SFFAS #5) – EMD
 - Property, Plant and Equipment – *Non-Shuttle; Real and Personal Property* (SFFAS #6) – FMD
 - Property, Plant and Equipment – *Space Shuttle* (SFFAS #6)
No longer relevant – assets disposed of or merged with above item
 - Property, Plant and Equipment – *Validation of Permitted Facilities* (SFFAS #6) – EMD
2. **Restoration Projects (SFFAS #5)**
3. **Property, Plant & Equipment (SFFAS #6)**
4. **Asbestos**



ENVIRONMENTAL LIABILITY (EL) UPDATE

FY 2012 Audit by PriceWaterhouseCoopers (PwC):

- PwC issued an NFR (significant deficiency) associated with SFFAS #5 (Remediation).
 - The Joint Review Process did not detect errors independently noted by PwC within the restoration environmental liability estimate.
 - Procedures that guide the local joint review process performed at the Centers do not describe the detailed requirements for the Centers to detect errors in the estimates.
- PwC issued NFRs (significant deficiency) associated with SFFAS #6 (Property, Plant & Equipment). Improvements are needed to:
 - NASA's Environmental Liabilities Estimation Policy and Related Analyses for PPE/ Non-Shuttle Real and Personal Property.
 - NASA's Validation of their Permitted Facilities.



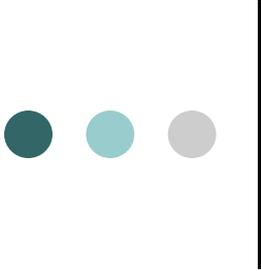
2012 NFR on Environmental and Disposal Associated with Restoration Projects

PwC's independent review noted following types of errors within restoration projects:

- Incorrect cost escalation factor for estimate (1 noted instance).
- Incorrect base year for estimate (2 noted instances).
- Incorrect factor within the data field used to calculate estimate (1 noted instance).
- Incorrect markup information for estimate (1 noted instance).
- Double-counting cost of investigation in the estimate (1 noted instance).
- Use of net salvage value instead of gross value of building materials (1 noted instance).
- Inconsistency between centers for estimating well abandonment costs (1 noted instance).

Total absolute error: \$3.6 million; Total net error: \$2.3 million

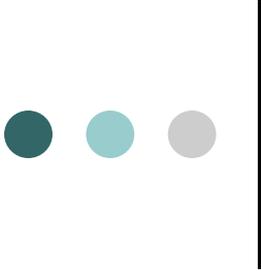
Total Restoration liability: \$1.048 billion



ENVIRONMENTAL LIABILITY (EL) UPDATE

Progress on NFRs to date:

- **Restoration Projects [Remediation] (SFFAS #5)**
 - Additional RPM and Center CFO staff training was held in February 2013.
 - HQ implemented new Center-level controls to review estimates before submitting them for the HQ Joint Review. Among these was completion of a Center Joint Review for major projects at least one week before the HQ Joint Review. These new controls have improved the estimation process.
 - An updated remediation UEL process document (including the new Center-Level Review) for FY 2013 and subsequent years has been signed and distributed..
 - NETS Xpress is fully functional as the vehicle for capturing and estimating (where a parametric model is needed) remediation UEL. RPMs indicate that NETS Xpress is more intuitive than IDEAL.
 - The Joint Review process for FY 2013 was completed by July 2 with the exception of the HQS “RPM project”.
 - PwC “observed” the HQ Joint Review at Ames Research Center (5/23/13).

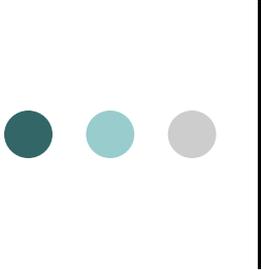


ENVIRONMENTAL LIABILITY (EL) UPDATE

Progress on NFRs to date:

- **Restoration Project UEL Audits**

- PwC has conducted onsite audits at Kennedy and Marshall (including Michoud and Santa Susana).
- WebEx audits will be conducted for Ames, Dryden, Glenn, HQS, JPL, and White Sands.
- PwC appears to be focusing on the failure to book well-closure costs that will occur beyond 30 years as an error. NASA Management considers estimates beyond 30 years very unreliable to book, and we use a rolling 30-year approach.

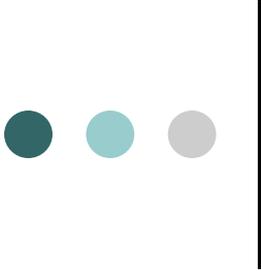


ENVIRONMENTAL LIABILITY (EL) UPDATE

- **Progress on NFRs to date:**

- **Property, Plant, & Equipment (SFFAS #6)**

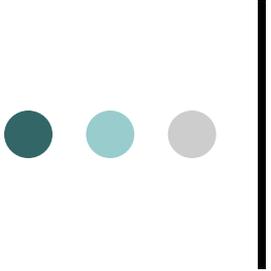
- HQ OCFO and EMD developed a policy and procedure for estimating cleanup cost to comply with accounting standards.
 - The approach is to calculate PPE cleanup cost estimate for capital assets based on a sample of assets across all Centers.
 - Capital assets were divided into two groups: personal property and real property.
 - Develop estimates for the sampled capital assets (~194 assets across the 10 Centers).
 - PPE UEL estimate response forms were developed for the sample assets and teleconference training was conducted.



ENVIRONMENTAL LIABILITY (EL) UPDATE

Progress on NFRs to date:

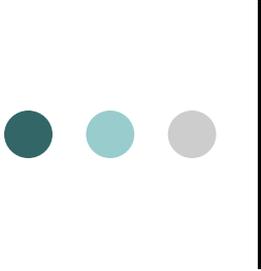
- **Property, Plant, & Equipment (SFFAS #6) – (continued)**
 - All PPE asset sample response forms have been completed and submitted to HQS.
 - EMD and OCFO are in the process of reviewing the responses and analyzing the results.
 - The only class of assets that appears to have a large PPE UEL is very large assets with appreciable amounts of PCB-paint. We have identified only 5 NASA capital assets that fall within this class.
 - EMD has obtained PPE UEL estimates for permitted facilities at this point from all except one Center. That information is anticipated shortly.



ENVIRONMENTAL LIABILITY (EL) UPDATE

Asbestos Cleanup Requirements:

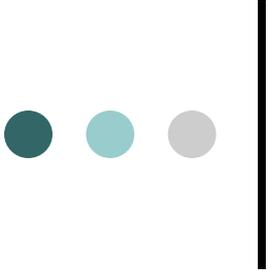
- The Technical Bulletin 2011-2 extended the Effective Date for reporting to periods beginning after September 30, 2012 (FY 2013).
- FMD developed an approach for asbestos cleanup cost to comply with applicable standard.



ENVIRONMENTAL LIABILITY (EL) UPDATE

Asbestos Cleanup Requirements:

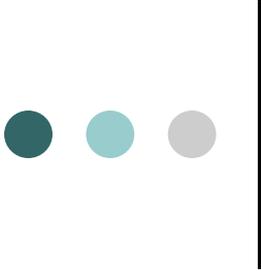
- Issues FMD encountered:
 - Limited resource and time to resolve data integrity and/or lack of data problems.
 - Estimating transportation and disposal cost.
 - Validating unit cost factors developed by the Marshall contractors.
 - Assessing non-standard buildings at other Centers.



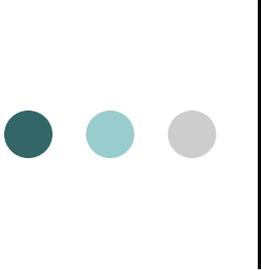
ENVIRONMENTAL LIABILITY (EL) UPDATE

- **Asbestos Cleanup Requirements:**

- NASA considers asbestos clean-up costs to be probable but not reasonably estimable.
- Therefore, NASA will record the “survey cost,” per TB2011-2
- The “survey cost” will be based on actual cost to perform surveys at Marshall.



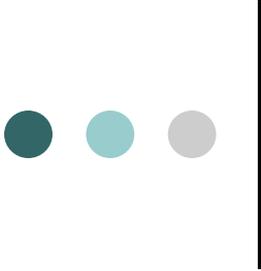
***FY 2013 FINANCIAL STATEMENT
AUDIT AND
OFFICE OF INSPECTOR GENERAL
AUDIT UPDATE***



Interim Results: PP&E

Completed Testing:

- Control and substantive testing of over 200 sample contract and Gov't held assets acquired 10/1/12 – 3/31/13 across six Centers and the JPL:
 - 15 exceptions noted
 - Causes include transposition errors, improper R&D classification, lack of documentation retention, and delays in placing items into service.
- Remaining testing:
 - Rollforward testing of PP&E transactions during the period 4/1/13 – 9/30/13
 - Disposal Testing for the period 10/1/12 – 6/30/13
 - PP&E Disclosure evaluations (as part of financial reporting testing)



Interim Results: Budget & Revenue

Completed Testing:

- Control and substantive testing of over appropriations, apportionments, and allotments. Testing completed at HQ.
 - No exceptions noted

Remaining testing:

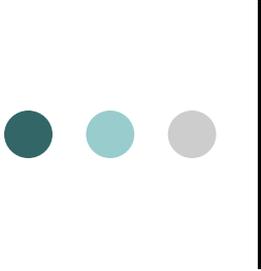
- Dual-purpose transactional level testing over reimbursable agreements for the period 10/1/12 – 6/30/13. A data call will be sent to the Centers and NSSC.
 - Update testing of any legislative actions (rescissions, transfers, etc.) and apportionments through YE.
 - Disclosure evaluations (includes testing the SF 133s)



Interim Results: Procurement & Payroll

Completed Testing:

- Limited testing over NASA's monitoring controls (i.e. CMP activities) over AP aging, ULOs, grants, payroll, and intra-agency reconciliations. CMPs were randomly selected from the Centers / NSSC
 - No exceptions noted.
 - ULO testing not complete – noting inconsistencies across Centers
- Remaining testing:
 - Dual-purpose transactional level testing over the procurement cycle (obligation through payment) for the period 10/1/12 – 6/30/13. A data call will be sent to the Centers and NSSC.
 - Detailed level (i.e. Bi-weekly) payroll testing.
 - Compliance Testing (Prompt Pay, various payroll laws).



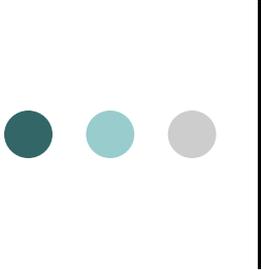
Interim Results: FBwT and Financial Reporting

Completed Testing:

- Dual-Purpose testing over NASA's FBwT reporting (SF 224s) and reconciliations (SF-6652s, Budget Clearing Accounts, etc.) performed by the NSSC during the period 10/1/12 – 3/31/13
- No exceptions noted.

Remaining testing:

- JV testing (including fraud data analyses)
- Thorough evaluation of 3rd quarter Statements and Footnotes for compliance with A-136, agreement to detailed testing, etc.
- Thorough evaluation of NASA FY 13 AFR for compliance with A-136, agreement to detailed testing, etc.
- Other reporting requirement testing (GFRS, FACTS I, FACTS II, etc).
- Year-end FBwT reporting evaluation (FMS 2108, Sept. SF-224, etc.)



Unfunded Environmental Liabilities Status

Completed Testing:

- On-site visits to understand changes to NASA's key control used to estimate the restoration project liabilities and to gain an understanding of NASA's key controls to estimate the asbestos related liability.

Remaining testing:

- Assess the consistent and accurate application of internal controls used to complete the restoration project and asbestos estimates
- Test the supporting documentation used to support the restoration project and asbestos estimates and evaluate the corresponding disclosures



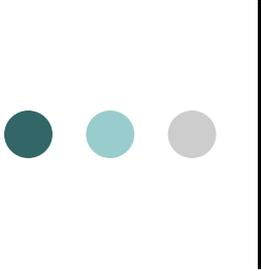
Information Technology Status

Systems and technology are of critical importance to process, record and report the financial results of NASA's operations. Our FY 2013 testing is focusing on the following areas:

- Information Technology General Controls (ITGCs) over financially-significant system environments, specifically NEACC and GSFC
- Application controls over systems deemed financially-significant, specifically SAP automated configurable controls, CHATS application controls, limited WebTADS application controls, and Payment Management System (PMS) third party controls
- Internal and external network penetration testing
- Operating system and database diagnostic testing
- Testing is roughly 50% complete. Higher-risk testing is completed first. Estimating for all testing to be complete by mid-September.

Timing and Execution of the Audit

Timeframe	Phase	Activities
February – April	Planning	<p>Hold entrance conference</p> <p>Hold interviews with key members of NASA's management or designee to obtain an understanding of the internal controls over financial reporting</p> <p>Perform scoping activities including performing Planning phase site visits</p> <p>Perform preliminary assessment of internal controls</p>
April – May	Internal Control	<p>Continue to gain an understanding of internal controls</p> <p>Assess design of internal controls</p> <p>Determine nature, timing and extent of test of internal controls</p> <p>Perform non-sampling internal control tests</p>
May - August	Testing (Interim)	<p>Perform interim internal control, compliance, and substantive tests</p> <p>Assess status of prior year recommendations (Financial and IT)</p>
September - December	Testing (Year-end) Reporting	<p>Perform year-end internal control, compliance and substantive tests</p> <p>Confirm adequacy of scope and audit testing</p> <p>Evaluate test results</p> <p>Complete other audit procedures</p> <p>Determine conformity with GAAP</p> <p>Report audit final results to NASA and OIG</p>



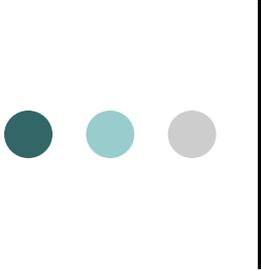
OIG Audit Update

Reports recently issued:

- Audit of Fiscal Year 2011 and 2012 NASA Sponsored Conferences with Costs Exceeding \$20,000
- Audit of NASA's Efforts to Fully Utilize the U.S. Segment of the International Space Station
- Audit of Commercial Cargo Program
- Review of NASA's Progress in Adopting Cloud Computing Technology

Draft Reports with the Agency for Comment:

- Audit of Orion Multi-Purpose Crew Vehicle



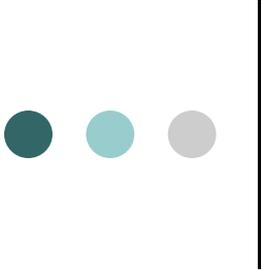
OIG Audit Update

Draft Reports Expected to be Issued in the next 30-60 days for Comment:

- Audit of NASA's Orbiting Carbon Observatory-2 Project
- Audit of Commercial Crew Program
- Review of NASA's Decision Process for Space Launch System Core Stage Testing
- Review of NASA's Use of Award Fees

On-Going Audits/Reviews

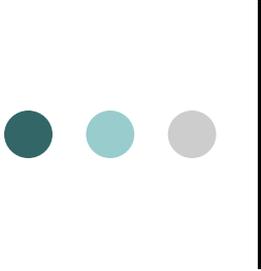
- Review of Security of NASA's Mobile Computing Devices
- Audit of NASA's Strategic Sourcing Program
- Audit of NASA's Award Closeout Process
- Audit of NASA's Utilization of Independent Verification and Validation Capability Facility



OIG Audit Update

On-Going Audits/Reviews (cont.)

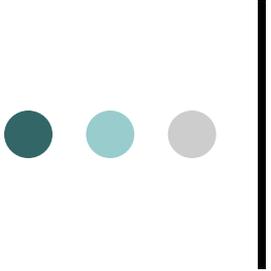
- Audit of NASA's Management of Space Act Agreements
- Audit of NASA's Environmental Remediation Efforts
- Audit of NASA's Compliance with Federal Information Security Management Act (FISMA) for fiscal Year 2013
- Audit of Space Communication and Navigation (SCaN) Program
- Audit of NASA's Agency Consolidated End User Services Contract
- Audit of NASA's Management Strategy for Conducting Aeronautics Research
- Audit of NASA's Origins Spectral Interpretation Resource Identification Security Regolith Explorer Project
- Audit of NASA's Mission Operations Services



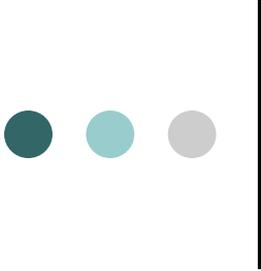
OIG Audit Update

On-Going Audits/Reviews (cont.)

- Audit of the Stratospheric Observatory for Infrared Astronomy Project
- Audit of the Near Earth Object Observation Program
- Evaluation of NASA's Implementation of Executive Order 13526, Classified National Security Information



***AUDIT, FINANCE, AND ADVISORY
COMMITTEE – RECOMMENDATION***



Recommendation

Short Title of Recommendation: NASA through the CFO Council Coordinate Government-wide Effort to Create Common Asbestos Cost Estimate

Recommendation: NASA, through the CFO's Council coordinate a government-wide, collaborative effort to create common estimates and benchmarks by structure type that can then be used as a baseline for each agency as they create their own estimates (such benchmarks are lacking today). Such a government-wide collaborative effort should result in significant cost savings for the Agency (and for the government) and should lead to a satisfactory audit trail for NASA's external auditors. The participation of the agency's Inspector General Office through the IG Council should be encouraged by the Administration.

Major Reason for the Recommendation: The requirement to estimate unfunded environmental liability for asbestos remediation in all NASA facilities has been imposed by the Federal Financial Accounting Standards Board. Every federal agency has had some requirement imposed upon them.

Consequences of No Action on the Recommendation: Each federal agency struggle to develop sound supportable estimates to comply with the standard, resulting in inconsistent methodology across agencies.