MEMORANDUM

DATE: September 21, 2010

TO: Gregory Steigerwald, Acting Director
Division of Acquisition and Cooperative Support (DACS)

FROM: Dr. Brett Baker /s/
Assistant Inspector General for Audit


The NSF OIG contracted with DCAA to perform an audit Government Owned Equipment (GOE) property controls and related internal controls in the custody of the Texas A&M Research Foundation (TAMRF) purchased under NSF’s International Ocean Drilling Program (IODP) Contract No. OCE-0352500 with Consortium for Ocean Leadership (COL) valued at $38,730,987. TAMRF is a subcontractor to COL, formerly Joint Oceanographic Institutions (JOI), for the modification and operation of the U.S. Riserless ocean drilling vessel (JOIDES RESOLUTION) and related activities. Specifically, TAMRF conducts riserless drillship operations; conducts platform-related tool development; and provides expedition staffing, logistics, program-specific engineering development, outfitting of shipboard laboratories, shipboard- and shorebased-curation, and distribution of core samples and data. Texas A&M University further subcontracted with Overseas Drilling Limited (ODL) to provide a Scientific Ocean Drilling Vessel (SODV) which is properly constructed, prepared, manned and equipped for Phase 2 International Ocean Drilling Program (IODP) operations at sea, on or around the spring-summer of 2007. In order to modify the ship to the necessary requirements specified in the NSF IODP contract, ODL subcontracted with Jurong Shipyards PTE LTD located in the Republic of Singapore to convert, outfit, furnish and equip the “JOIDES Resolution” riserless drilling vessel.

Summary Analysis

DCAA examined TAMRF’s property controls using the Federal Acquisition Regulation, Cost Principles for Non-Profit Organizations in OMB Circular A-122, Cost Accounting Standards, the Subcontract Terms and Conditions, and TAMRF’s written policies and procedures governing GOE. Specifically, DCAA tested TAMRF’s internal controls relating to the safeguarding of GOE, restricting access to TAMRF’s property system, evaluating the property system’s internal controls, and evaluating TAMRF’s internal controls over lower-tier subcontractor property systems.
DCAA determined that TAMRF’s property control system for GOE and its related internal controls and procedures are adequate for accounting and controlling GOE. Furthermore, DCAA determined that the TAMRF property system is operating effectively.

DCAA has also been contracted to perform an incurred cost audit on NSF Award No. OCE-0352500 for costs claimed on NSF’s contract with the Joint Oceanographic Institute/Consortium of Ocean Leadership (JOI/COL) for FY 2006-2007, for which TAMRF is a subawardee. The results of the costs incurred on the TAMRF subaward is incorporated in the JOI/COL incurred cost audit reports and is provided to NSF in OIG Audit Report Nos. 10-1-014 and 10-1-015.

We are providing a copy of this memorandum to the Division Director, OCE (OCE) and the OCE Contracting Officer’s Technical Representative. The responsibility for audit resolution rests with DACS. Accordingly, we ask that no action be taken concerning the report’s findings without first consulting DACS at (703) 292-8242.

OIG Oversight of Audit

To fulfill our responsibilities under Generally Accepted Government Auditing Standards, the Office of Inspector General:

- Reviewed DCAA’s approach and planning of the audit;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with DCAA and NSF officials as necessary to discuss audit progress, findings and recommendations;
- Reviewed the audit report prepared by DCAA to ensure compliance with Generally Accepted Government Auditing Standards and Office of Management and Budget Circulars; and
- Coordinated issuance of the audit report.

DCAA is responsible for the attached auditor’s report on TAMRF and the conclusions expressed in the report. The NSF OIG does not express any opinion on TAMRF’s property system, related internal controls, or the conclusions presented in DCAA’s audit report.

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 Kenneth Stagner at (303) 312-7655 or Jennifer Jenkins at (703) 292-4996.


cc: Martha Rubenstein, CFO and Director BFA
    Mary Santonastasso, Division Director, DIAS
    David O. Conover, Division Director, OCE
    Mary Rouse, Contracting Officer, DACS
    James F. Allan, COTR, OCE
    Carolyn Ann Smith, Policy Analyst and OIG Liaison, DACS