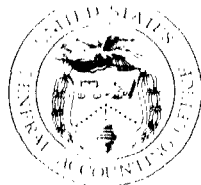


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FINANCIAL
MANAGEMENT

National Park Service
Implements New
Accounting System



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**Accounting and Financial
Management Division**

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February 13, 1991

The Honorable Robert C. Byrd
Chairman, Subcommittee on Interior and
Related Agencies
Committee on Appropriations
United States Senate

The Honorable Sidney R. Yates
Chairman
The Honorable Ralph Regula
Ranking Minority Member
Subcommittee on Interior and
Related Agencies
Committee on Appropriations
House of Representatives

Your joint letter dated October 4, 1988 (also signed by the former Ranking Minority Member, Subcommittee on Interior and Related Agencies, Senate Committee on Appropriations), requested that we examine the accounting capability of the National Park Service (NPS). During a briefing on February 17, 1989, we advised your Subcommittees' staffs that NPS was implementing a new accounting system, which was part of the Department of the Interior's initiative to implement a standard accounting system at each of its bureaus and major offices. Therefore, as agreed with the Subcommittees, we monitored NPS' system implementation effort.

This report discusses the outcome of NPS' effort. It also discusses aspects of the system (1) for which future enhancement efforts are planned or are being considered and (2) which involve its costs or could impede its operation.

Results in Brief

The Subcommittees' concern about NPS' accounting capability was well founded. Until October 1, 1990, NPS used an accounting system that had been installed almost 18 years earlier, had not been enhanced significantly, and had a record of material weaknesses. NPS replaced this system with a new accounting system that will be part of an overall, standard system for Interior. NPS expects the new system to substantially improve its accounting operations and provide proper accounting for the areas which particularly concern the Subcommittees, such as

properly accounting for NPS appropriations and allocating park entrance fees.

Although the new system is operational, certain additional features were deferred or modified. In this connection, NPS deferred plans to change NPS' accounting codes and delayed establishing automatic interfaces between NPS' new accounting system and some of its other systems that contain financial data. It also modified plans to provide direct access to the new system's mainframe computer for many of the system's users.

Close monitoring by NPS of efforts to install the features which were postponed or changed would assist in their prompt completion. NPS' new accounting system also bears monitoring to ensure that (1) its costs do not increase beyond what is needed to effectively operate the system, (2) enough staff are available for its effective operation, and (3) it is adequately documented.

Background

NPS was created by the Congress in 1916 (16 U.S.C. 1) to promote and regulate the use of certain federal areas. Today these areas make up the National Park System, which includes 50 national parks, as well as many monuments, recreation areas, and historic sites, such as the White House.

The National Park System contains almost 80 million acres in 49 states and several U.S. territories. Overall, NPS' objectives are to (1) administer the properties under its jurisdiction for the enjoyment and education of our citizens, (2) protect the natural environment of the park areas, (3) assist in the development of park areas, and (4) preserve historic properties. NPS employs about 15,400 people.

Conference report 100-862, dated August 10, 1988, included the Subcommittees' concern that NPS properly account for its appropriations. NPS received congressional appropriations of about \$1 billion in fiscal year 1990. These funds were made available through about 30 separate appropriations. The largest NPS appropriation—\$768 million in fiscal year 1990—was for operation of the National Park System. Other major NPS appropriations in fiscal year 1990 were for construction (\$197 million) and land acquisition (\$88 million).

In December 1987, Public Law 100-203 gave NPS legislative authority to collect park entrance fees until the year 2015. In fiscal year 1990, fees

collected amounted to about \$52.5 million. The law specified that, among other things, admission and user fees be used for designated purposes, such as resource protection and research by NPS' various organizational units. The funds are to be allocated to NPS units based on criteria in the legislation. The Subcommittees' October 4, 1988, letter expressed concern that NPS properly allocate these receipts.

Objective, Scope, and Methodology

The objective of this report is to advise the Subcommittees on Interior and Related Agencies, Senate and House Appropriations Committees, of the results of our monitoring of NPS' implementation of a new accounting system. In our monitoring, we focused on (1) the accounting problems NPS experienced with the accounting system being replaced, (2) the new system's anticipated effect on accounting operations, including its potential for addressing the Subcommittees' concerns, (3) NPS' plans for future enhancements of the system, and (4) the system's cost and potential impediments to the new system's effectiveness.

To monitor NPS' accounting system conversion project, we reviewed project documentation, such as project plans, progress reports, and project-related correspondence. We also examined contractor status reports and considered NPS' training plans, acceptance test procedures, and staffing projections. Further, we obtained from NPS its projected installation and operation costs for the system.

We discussed operation of the previous accounting system with NPS representatives and identified weaknesses in the system through such sources as Interior's Federal Managers' Financial Integrity Act¹ (FMFIA) reports. We also identified basic features planned for the new system. Because our work was directed toward an overall monitoring of NPS' implementation effort, we did not evaluate the detailed design of the new system and, therefore, did not determine whether the design of the new system would correct specific problems NPS experienced with the accounting system it replaced.

In addition, we interviewed officials at NPS headquarters, as well as at the Shenandoah National Park and the Mid-Atlantic Regional Office, which were selected because of their proximity to Washington, D.C. We also interviewed other Interior officials in Washington, D.C., including

¹The Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512) requires agencies to report material weaknesses in agency internal control and accounting systems to the President and the Congress each year, along with plans to correct the problems.

representatives of the Office of Inspector General and Office of Financial Management.

We reviewed the legislation giving NPS authority to collect park entrance fees through the year 2015. We also reviewed Interior's Inspector General reports on NPS' fee collection program. In addition, we examined NPS' financial reports, budget requests, and related documents.

We performed our work from March through October 1990 in accordance with generally accepted government auditing standards. During our work, we discussed our efforts with NPS and Interior officials to ensure the accuracy and completeness of the information in this report. Their comments were considered in preparing this report.

NPS Expects Its New Accounting System to Correct Serious Accounting Problems

NPS has a history of serious accounting system deficiencies and had a system that did not comply with federal accounting standards. NPS has begun using a new accounting system, which it expects to correct problems that have plagued its accounting operations for years.

The Program and Financial Management System Needed to Be Replaced

Before October 1, 1990, NPS used an administrative accounting system called the Program and Financial Management System (PFM). PFM was antiquated, having been installed in 1973—almost 18 years ago—and was operated since then without significant enhancement. The system was fraught with serious problems that were long-standing.

A February 1989 NPS study on converting from PFM to another accounting system described a system on the verge of collapse. The study stated, for example, that the vendor which supported the system's report writing software functions was out of business.

In addition, the documentation available for PFM was mostly out of date and incomplete. Although a critical element for effective operation of the system, PFM' documentation was never maintained properly because of continual uncompleted plans to replace the system. Without adequate documentation, an agency does not know how a system operates, and, when a problem arises, lack of documentation can make it difficult, if not impossible, to determine the cause.

Interior considered the system's weaknesses so pervasive that NPS was deemed by Interior not to conform to federal accounting standards. The department's 1989 FMFIA report chronicles a litany of material nonconformance. Among the problems reported, for example, was insufficient computer capacity available in PFM to implement the government's standard general ledger—a requirement of all agencies.

Interior's FMFIA reports disclosed major problems with NPS' accounting system as early as 1983, when FMFIA reports were first required. At that time, NPS' system was reported, for example, to have no cost accounting capability. Interior's 1988 FMFIA report aptly summarized the situation—NPS' system would require major redesign to conform to federal accounting standards.

NPS Implemented a New Accounting System to Replace PFM

To correct major accounting weaknesses, such as those just discussed, NPS replaced PFM with a new system called the Federal Financial System (FFS). This replacement was part of an Interior initiative to upgrade its accounting systems with a standard, departmentwide system.

FFS is a system software package designed to permit system users to enter, edit, and post all accounting transactions to their general ledgers and appropriate subsidiary ledgers simultaneously.² Since the accounting system software is preexisting, it did not require substantial development.

FFS is to perform functions critical to NPS in the proper exercise of its financial stewardship responsibilities. For example, FFS is intended to be used to control NPS appropriations, maintain its general ledger, and produce financial reports for its managers. The new system's general ledger records would include accounts for receivables and payables as well as for inventory and property.

As originally planned, FFS was scheduled to be in use by NPS in October 1989. However, this schedule was delayed 1 year (1) so that Interior's fiscal year 1989 efforts and resources to implement FFS throughout the department could be concentrated at another of its bureaus and (2) in consideration of NPS' having completed in March 1989, another major accounting system change—centralization of its accounting function.

²FFS is available to all federal agencies and is used now by a number of them, including GAO. As any agency would need to do, GAO modified the system to meet GAO's needs.

structure,³ FFS would be capable of accounting for NPS appropriations on the same basis as funds are requested. (As discussed later in this report, NPS is considering a change to the account coding structure, which is not expected to affect the system's appropriation accounting capabilities.)

Also of concern to the Subcommittees is whether NPS can properly allocate park entrance fees in accordance with legal requirements. NPS officials told us that the new system is able to properly account for the receipt, allocation, and expenditure of park entrance fees as required by law.

Since FFS is in its initial stages of operation, it was too early for us to determine whether these facets of NPS' accounting operation were being properly carried out. However, FMFIA requires agencies to review their accounting systems and report to the Congress on whether they conform to federal accounting requirements. These include requirements for proper appropriation accounting and compliance with legal requirements. Therefore, reviews and reports under the act provide a means of disclosing to the Congress whether NPS' new accounting system adequately addresses the Subcommittees' concerns about properly accounting for appropriations and properly allocating park entrance fees.

Revising NPS' Account Coding Structure Was Deferred

In conjunction with implementing FFS, NPS planned to change the accounting codes it uses to identify and accumulate financial information. This change was to be made because FFS offered NPS greater capacity and flexibility in accumulating financial information than did PFM.

NPS planned the new account coding structure to be consistent with how the NPS budget is prepared and controlled. In addition to budgetary data, the planned account coding structure would also be designed to disclose financial information necessary at various levels of park management. For example, the account coding structure would accommodate accumulating data for functions, activities, or cost centers, such as visitor centers or campgrounds.

However, in March 1990, NPS announced to its regions and other components that plans to revise its account coding structure had been

³An agency's accounting system coding structure identifies, for example, an appropriation, organizational component, function, or activity for which data will be gathered and reported.

the property system's function of servicewide accounting and control for NPS-owned and leased personal property.

Without an automated interface, the potential for entering and processing incorrect accounting information into different systems increases. One consequence of systems containing incorrect data, as could be the case of NPS' property system, might be an inability to reconcile physical inventories with either property or with general ledger control records. Hence, ensuring that the automated interface aspects of FFS that have been delayed are completed promptly is important to having efficient processing and reliable financial information on NPS operations.

Further, although some of NPS' systems that contain financial data were not initially planned for automated interface, they could also be considered for eventual automated interface with FFS. For instance, NPS' automated maintenance management information might be a choice for automatically exchanging data with FFS because that information is used to develop a budget for maintenance work on NPS' roads, trails, and buildings, as well as to accumulate data on the cost of maintenance work accomplished. Monitoring implementation of FFS' automated interfaces could ensure that automated interfaces with additional NPS systems is also considered.

An Alternative to Direct Computer Access Is Planned for Many Remote Locations

NPS initially planned that 63 of its parks, regional offices, and other remote sites would have direct access to the new system on a mainframe computer located in Reston, Virginia, and another 37 remote sites would use a microcomputer version of the system.⁴ Direct access would permit users at remote sites to enter and process data directly into the new system to update records, make inquiries into the status of accounts, and generate reports. The microcomputer version of FFS would permit users to perform many of the same functions as direct access but at less cost.

However, because of anticipated high costs and slow processing time associated with direct access, NPS' system access plans changed. Upon implementation of FFS, 13 sites had direct access and 45 had access using the microcomputer version of FFS. For another 56 remote sites, NPS implemented an interim process, the field data entry process. The field

⁴NPS planned that the remaining remote sites, about 250, would mail their accounting and financial data to the Accounting Operations Division, where they would be entered into the system.

bureaus that have implemented FFS have also found that the number of staff necessary to operate the system has exceeded that required to operate the systems it replaced. For example, the Bureau of Reclamation contracted for 9 people for its accounting operation—a 10 percent increase in the total needed for these operations. Providing sufficient staff to operate FFS is essential so that the system's data integrity is maintained and operational problems, such as data entry backlogs, do not result.

- NPS representatives advised us of their concern that documentation showing how FFS operates is not current and, in some areas, is incomplete. In addition to this documentation, for which the FFS contractor is responsible, we noted at the conclusion of our audit work, that NPS had not yet completed preparing detailed instructions for its staff's use in operating the system. However, another contractor was working on a project to document these instructions. Prompt completion of clear and complete documentation is critical to NPS' ability to properly and effectively operate and maintain FFS. According to NPS officials, FFS documentation has now been completed and is being prepared for distribution.

Conclusions

NPS has taken steps to resolve its long-standing accounting problems by replacing its inadequate accounting system with Interior's standard system. NPS foresees that the revised accounting system will provide its managers and the Congress with improved information on the financial results of NPS operations, including data on its appropriations. As the system has just been implemented, it is too soon to determine to what extent this will be achieved.

NPS' plans for enhancing FFS features to improve the system's capabilities are moving forward, including consideration of a revised account coding structure and plans for automated interface with some of NPS' other financial systems. While NPS has reduced FFS costs in some areas, adding these features could cause FFS costs to rise above current cost projections. Also, the system's effective operation could be impeded by certain areas, such as insufficient staffing and incomplete documentation.

Close monitoring by NPS would help ensure that future enhancement efforts are completed without further delays. In addition, NPS' monitoring of other aspects of its new accounting system might identify ways of containing the system's costs and would ensure that it is operated using sufficient staff and that its documentation is adequate.

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