



Highlights of [GAO-04-151](#), a report to the Committee on Commerce, Science, and Transportation, U.S. Senate, and the Committee on Science, House of Representatives

Why GAO Did This Study

In April 2000, the National Aeronautics and Space Administration (NASA) began its Integrated Financial Management program (IFMP), its third attempt at modernizing its financial management processes and systems. In April 2003, GAO reported that NASA's acquisition strategy has increased the risk that the agency will implement a system that will cost more and do less than planned. This report is one of a series of reviews of NASA's acquisition and implementation of IFMP, and focuses on the core financial module's ability to provide the information necessary for external financial reporting.

What GAO Recommends

GAO is recommending that NASA (1) identify all areas that are not compliant with the Federal Financial Management Improvement Act (FFMIA) of 1996 and (2) develop an implementation plan for addressing those areas and incorporating them into IFMP, including the need for reengineering some processes, such as the cost and other information that it requires from contractors. This plan should include time frames and details on how any changes will be monitored, tested, and documented. NASA disagreed with GAO's recommendations, saying that the report did not reflect IFMP's most recent progress. GAO considered recent IFMP progress and reaffirmed its position.

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To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9095 or kutzg@gao.gov.

BUSINESS MODERNIZATION

NASA's Integrated Financial Management Program Does Not Fully Address Agency's External Reporting Issues

What GAO Found

The core financial module of IFMP provides NASA its first agencywide accounting system—a significant improvement over the 10 disparate systems previously used. However, to meet IFMP's aggressive implementation schedule, NASA deferred testing and implementation of many key requirements of the core financial module. Consequently, when NASA announced, in June 2003, that this module was fully operational at each of its 10 centers, about two-thirds of the financial events or transaction types needed to carry out day-to-day operations and produce external financial reports had not been implemented in the module. NASA officials acknowledged that, as part of their implementation strategy, they had not yet converted the module to support full-cost accounting. In addition, we found that NASA also deferred implementation of other key core financial module capabilities. Because NASA did not use disciplined processes for defining, managing, and testing key system requirements, or substantially reengineer its business processes prior to implementation, the core financial module, as implemented in June 2003, does not address several long-standing external reporting issues and has created some new problems.

- **Long-standing external financial reporting issues have not been addressed.** NASA has not used its implementation of the core financial module as an opportunity to drive needed changes in its management practices and business processes. Therefore, the system does little to address NASA's ability to properly account for \$37 billion of reported property or certain aspects of the agency's \$15 billion annual budget.
- **New financial reporting problems have emerged.** NASA went forward with its aggressive implementation plans even though agency managers knew of problems with the module's ability to properly process and record certain transactions. As a result, the module does not appropriately capture critical information on the cost of NASA's operations, such as certain accrued costs, accounts payable, and obligation transactions.

In April 2003, GAO reported that the core financial module did not address key internal management information requirements. Now, GAO has found that the module cannot reliably provide key financial data needed for external financial reporting. Although NASA intends to address many of these issues, its implementation approach raises concerns over its ability to do so. These deferred external reporting capabilities, combined with the findings from our April 2003 report, indicate that NASA's June 2003 core financial module and related systems do not substantially comply with the requirements of FFMIA. FFMIA addresses the need for agencies' financial systems to provide value to those who use financial data. NASA must address these issues if the core financial module and IFMP are to achieve the objective of providing reliable, timely financial information for both internal management decision-making and external reporting purposes.