



Highlights of [GAO-04-754T](#), a testimony before the Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform, House of Representatives

Why GAO Did This Study

The Subcommittee asked GAO to testify on the status of the National Aeronautics and Space Administration's (NASA) financial management reform efforts. NASA faces major challenges that if not addressed, will weaken its ability to manage its highly complex programs. NASA has been on GAO's high-risk list since 1990 because of its failure to effectively oversee its contracts and contractors, due in part to the agency's lack of accurate and reliable information on contract spending. GAO's statement focused on (1) how NASA's history of clean audit opinions served to mask the true extent of the agency's financial management difficulties; (2) the results of NASA's fiscal year 2003 financial statement audit, which are a departure from the fiscal year 2002 results; (3) NASA's effort to implement an integrated financial management system; and (4) the challenges NASA faces in reforming its financial management organization.

Although GAO does not make specific recommendations in this statement, GAO previously made several recommendations to improve NASA's acquisition and implementation strategy for its financial management system. While NASA ultimately agreed to implement all of the recommendations, it disagreed with most of the findings—stating that its acquisition and implementation strategy had already addressed GAO's concerns.

www.gao.gov/cgi-bin/getrpt?GAO-04-754T.

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.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Significant Actions Needed to Address Long-standing Financial Management Problems

What GAO Found

NASA faces major challenges in fundamentally reforming its financial management organization and practices. While some areas needing reform relate to automated systems, automation alone is not sufficient to transform NASA's financial management culture. Specifically, NASA needs to fully integrate its financial management operations with its program management decision-making process. Until that occurs, NASA risks addressing the symptoms of its problems without resolving the underlying causes. These causes include an agency culture that has not fully acknowledged the nature and extent of its financial management difficulties and does not link financial management to program implications. Historically, NASA management has downplayed the severity of its problems and has viewed the agency's financial operation as a function designed to produce clean financial audit opinions instead of viewing it as a tool that supports program managers in making decisions about program cost and performance.

GAO's work has identified several areas of concern:

- **Clean financial audit opinions masked serious financial management problems.** Financial audits of NASA during the late 1990s did not provide an accurate picture of the agency's financial management operations, and instead masked serious problems that continue to exist today, including significant internal control weaknesses and systems that do not comply with federal standards.
- **The new financial management system did not address all key stakeholder needs.** GAO reported in April 2003 that NASA designed and implemented the new system's core financial module without involving key stakeholders, including program managers, cost estimators, and the Congress.
- **NASA did not follow key best practices in implementing its new financial management system.** GAO reported in April 2003 and again in November 2003 that the new system may do less and cost more than NASA expects because the agency did not follow key best practices for acquiring and implementing the system. For example, NASA acquired and deployed system components without an enterprise architecture and lacked discipline in its cost estimating processes.
- **The new financial management system did not provide key external reporting capabilities.** GAO reported in November 2003 that the system would not generate complete and accurate information necessary for external reporting of NASA property and budgetary data.

Finally, if NASA is to reap significant benefits from its new financial management system, it must transform its financial management organization into a customer-focused partner in program results. This will require sustained top leadership attention combined with effective organizational alignment, strategic human capital management, and end-to-end business process improvement.