



Highlights of [GAO-06-216T](#), a testimony to congressional requesters

# NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

## Long-standing Financial Management Challenges Threaten NASA's Ability to Manage Its Programs

### Why GAO Did This Study

The Subcommittees asked GAO to testify on the status of the National Aeronautics and Space Administration's (NASA) financial management reform efforts. NASA faces major financial management 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, due in part to the agency's lack of accurate and reliable information on contract spending. GAO's statement focuses on (1) NASA's key financial management challenges, (2) how NASA's financial management challenges compare with other federal agencies, (3) GAO's assessment of NASA's progress toward implementing recommendations aimed at improving its financial management system, and (4) the steps NASA must take to reform its financial management organization.

In its related report, released today, GAO recommends that NASA develop an integrated enterprise master schedule and milestones—including improvement activities and plans, dates for completion, performance measures, and clear accountability.

### What GAO Found

NASA's new core financial management system has not addressed many of the agency's most significant management challenges—including improving contract management, producing credible cost estimates, and producing auditable financial statements. Because NASA did not use disciplined acquisition and implementation practices, the new system lacks basic functionality—such as the ability to (1) produce transaction-level support for key account balances, (2) properly identify adjustments or correcting entries, and (3) correctly and consistently post transactions to the right accounts. In addition, NASA did not use the implementation of its new system as an opportunity to transform its operations and instead, automated many of its existing, ineffective processes. Compounding its existing problems, NASA also failed to recognize the importance and need for highly skilled, well-trained financial personnel.

Most federal agencies have been able to obtain unqualified audit opinions, while NASA's financial statements remain unauditible. However, the problems experienced by NASA in its effort to reform its financial management organization and implement a modern, integrated financial management system are not uncommon among federal agencies. In fact, many federal financial system modernization efforts have exceeded budgeted cost and scheduled delivery dates without providing the anticipated system functionality.

GAO's related report, released today, details NASA's progress toward implementing prior recommendations related to its financial management system. Overall progress has been slow, but in some areas NASA is beginning to take steps toward improvements.

**NASA's Progress in Implementing GAO's Recommendations**

Recommendations related to:	Closed	Partially implemented	Open
System component interoperability and enterprise architecture	1	6	23
Process reengineering and requirements definition, management, and testing	1	3	1
External financial reporting	0	0	4
Program life-cycle cost estimates and funding reserves	1	4	1
<b>Total</b>	<b>3</b>	<b>13</b>	<b>29</b>

Source: GAO.

To its credit, NASA has recognized the need to enhance the capabilities and improve the functioning of its core financial management system. Strong executive leadership will be critical for ensuring that NASA's financial management organization delivers the kind of analysis and forward-looking information it needs to effectively manage its many complex programs. Such leadership must be combined with effective organizational alignment, strategic human capital management, and end-to-end business process reform.

[www.gao.gov/cgi-bin/getrpt?GAO-06-216T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-216T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Greg Kutz at (202) 512-9095 or Allen Li at (202) 512-3600.