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**INTEGRATED FINANCIAL MANAGEMENT  
PROGRAM CORE FINANCIAL MODULE  
CONVERSION TO FULL COST ACCOUNTING**

**May 30, 2003**

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**cc:**

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National Aeronautics and  
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**OFFICE OF INSPECTOR GENERAL**

Released by:  [original signed by] \_\_\_\_\_

David M. Cushing, Assistant Inspector General for Auditing

## **Integrated Financial Management Program Core Financial Module Conversion to Full Cost Accounting**

In conducting this audit, we found that the Core Financial Module software, which has been implemented at six NASA Centers, has the capability to implement full cost accounting. Before implementation can take place, NASA must resolve several extraordinarily complex accounting and costing issues. These involve how to allocate service and general and administrative (G&A) costs, civil service costs, and unassigned costs. These issues incorporate NASA's conspicuous inability to provide full cost accounting data for the International Space Station (ISS) and the Space Shuttle. Once the accounting and costing issues are resolved, NASA has to configure the Integrated Financial Management Program (IFMP) software to reflect the changes.

According to NASA's plans for full cost accounting, IFMP, and the Core Financial Module, the Agency will begin configuring the IFMP software after the last NASA Center has implemented the Core Financial Module (currently scheduled for June 23, 2003). NASA will have to resolve the cost accounting issues in slightly over 3 months following June 23, 2003, and then configure the Core Financial Module software in order for NASA to meet its targeted implementation date of October 1, 2003. As noted in NASA's Core Financial Project Full Cost Configuration Strategy, if full cost procedures are not implemented by October 1, 2003, the Agency faces a high risk that it will be unable to use IFMP to report full cost accounting data until fiscal year (FY) 2005. A substantial delay in the availability of full cost accounting data could extend the implementation date of the Agency's overall Full Cost Initiative.

### ***Converting Core Financial Module Software To Accommodate Full Cost Accounting***

Although NASA's Full Cost Initiative Agencywide Implementation Guide (Full Cost Guide) establishes Agencywide service and G&A cost pools, it does not establish Center-unique cost pools and does not address how the Core Financial Module will allocate service and G&A costs, civil service personnel costs, and unassigned costs required to implement full cost accounting. Pools are used to accumulate similar costs and are distributed to projects based on an allocation methodology that best represent the types of costs that are in the pools. For example, wind tunnel costs can be accumulated in a wind tunnel service pool and allocated to programs based on hours of usage. NASA will need to (1) establish the appropriate cost pools, (2) configure the Core Financial Module software to accommodate the cost pool structure, and (3) properly test the new configuration.

## *Accounting and Costing Issues*

**G&A Cost Allocation.** NASA's Full Cost Guide states that each Center will be responsible for managing its respective G&A costs and requires the Centers to allocate these costs to specific projects. Currently, NASA does not tie G&A costs to specific projects. Examples of G&A costs are costs associated with financial management, procurement, security, and legal activities. To successfully allocate these costs to projects, Agency and Center management should (1) determine the content of the G&A cost pool, (2) determine the G&A levels required to support operations, (3) determine the rate at which G&A costs will be allocated, and (4) establish the appropriate structure within the Core Financial Module to ensure accurate allocations of G&A costs to all projects.

**Space Shuttle Program.** Determining which costs should be allocated to programs (such as the ISS) that benefit from Space Shuttle services is a vital component of NASA's efforts to establish the full cost of its programs. NASA has recently addressed the issue of allocating Space Shuttle costs to the ISS. However, the Agency needs to decide whether and how Space Shuttle Program costs will be allocated to other benefiting NASA programs and projects and must then determine how the Core Financial Module will accommodate that decision.

**Civil Service Personnel Costs.** Civil service personnel costs must be directly associated with the project to which they relate. Currently, NASA does not have a standardized Agencywide methodology for associating civil service personnel costs to projects. Establishing this methodology could be challenging in identifying personnel who work in more than one project, G&A cost area, or service cost area.

**Unassigned Costs.** NASA has five Strategic Enterprises that cover the major areas of the Agency's research and development efforts. In NASA's FY 2001 Consolidated Statement of Net Cost, the Agency reported costs of more than \$1 billion that were not assigned to specific Enterprises. To achieve full cost accounting, NASA should determine a methodology for allocating those costs to benefiting programs.

### ***Recommendation***

We recommended that the Deputy Chief Financial Officer for Financial Management revise the IFMP plans to include:

- Timeframes and milestones for completing steps implementing full cost accounting, including addressing and resolving the cost issues identified above.
- Identification of the personnel and other resources necessary to perform the steps within the established timeframes.
- Senior management approval and support of these additional procedures.

### ***Management's Response***

Management concurs with the recommendation. NASA has formed the Full Cost Policy and Operations Team, comprised of members from the Centers, the IFMP Core Financial Team, and Headquarters enterprise/functional offices. The Team has identified timeframes, milestones, and resources for completing the steps necessary to implement full cost accounting and to address those cost issues identified in the report. The Team will brief and make recommendations to the NASA Full Cost Committee and update the Full Cost Initiative Agencywide Implementation Guide. In addition, NASA has appointed a full-time Director of Full Cost to manage the full cost implementation process. The Agency plans to have all phases of full cost accounting implemented by October 1, 2003.

### ***Evaluation of Management's Response***

Based on management's response; further discussion with the NASA Program Executive for IFMP, Deputy Chief Financial Officer, and Director of Full Cost; and review of NASA's full cost planning documentation, we consider management's action responsive to the recommendation, which is now closed.

### ***Appendices***

Among the appendices, note Appendix D, in particular, which discusses NASA's history of implementing a financial management system, and Appendix E on full cost management.

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### **Acronyms Used in the Report**

CFO	Chief Financial Officer
FY	Fiscal Year
G&A	General and Administrative
IFMP	Integrated Financial Management Program
ISS	International Space Station
OIG	Office of Inspector General

## Appendix A. Recommendation Status

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<b>Recommendation No.</b>	<b>Resolved</b>	<b>Unresolved</b>	<b>Open/ECD*</b>	<b>Closed</b>
1	X			X

\*ECD – Estimated Completion Date.

## Appendix B. Background

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The IFMP is the Agency's third attempt in more than 12 years to establish a fully integrated, federally compliant<sup>1</sup> financial management system.<sup>2</sup> NASA spent about \$130 million on its prior efforts and expects to spend more than \$800 million for its current efforts.

NASA established the Core Financial Project<sup>3</sup> to provide management and technical leadership for implementing the Core Financial Module, one of eight IFMP modules. The Core Financial Module is the backbone of the IFMP and will consist of the NASA-wide fully integrated and auditable accounting system that the Agency now lacks. The other seven IFMP modules will be integrated/interfaced with the Core Financial Module.<sup>4</sup> NASA plans to complete full deployment of the Core Financial Module at its Centers by June 23, 2003.

One of the primary objectives of the IFMP is to support the Agency's Full Cost Initiative, which began in response to NASA requirements and Federal law (see Appendix E). In February 1999, NASA published its "Full Cost Initiative Agencywide Implementation Guide" (Full Cost Guide). The guide describes three elements of the Full Cost Initiative as follows:

**Full Cost Accounting.** In full cost accounting, all costs are tied to a particular NASA project and consist of direct costs,<sup>5</sup> service costs,<sup>6</sup> and G&A costs.<sup>7</sup>

**Cost-based Budgeting.** All costs are budgeted against NASA projects and NASA plans, manages, and controls funds based on a project perspective.

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<sup>1</sup>Office of Management and Budget's Financial Management Initiative was developed in response to the President's Management Agenda and requires Federal agencies to have a standardized, centralized financial accounting system to support day-to-day operations and to track task completion.

<sup>2</sup>The NASA Office of Inspector General has performed prior audits related to the Agency's attempts to implement the IFMP. Those audit results are summarized in Appendix G.

<sup>3</sup>The Core Financial Project Manager in Huntsville, Alabama, is responsible for the successful implementation of the Core Financial Module and has the authority to manage the implementation of the module within the policies and guidelines established by the IFM Program Office. The Core Financial Project team supports the Core Financial Project Manager. Appendix F describes key IFMP officials and their responsibilities.

<sup>4</sup>SAP Public Sector and Education, Inc., of Washington, D.C., supplies the commercial off-the-shelf software for the Core Financial Module.

<sup>5</sup>Direct costs are costs that can be readily related to a specific project. Examples of direct costs are materials and labor.

<sup>6</sup>Service costs are costs that cannot be immediately related to a project. Examples of service costs are information technology and publishing services. These costs are later related to a project and are distributed to a project based on usage or consumption.

<sup>7</sup>G&A costs are costs that cannot be related to a specific project, but benefit all activities. Examples of G&A costs are financial management and procurement.

**Full Cost Management.** The project manager should use cost information to make informed decisions regarding resources management in order to optimize the cost-effective performance of a particular project. Full cost management cannot be achieved until full cost accounting and cost-based budgeting is successfully implemented.

NASA also developed an IFMP Program Plan and a Core Financial Project Plan in accordance with NASA Procedures and Guidelines 7120.5A, "Program and Project Management Processes and Requirements," dated April 3, 1998. These plans establish a structure for managing the IFMP Core Financial Module.

The Core Financial Module will become NASA's system of record for Federal fiscal year (FY) 2004. Beginning October 1, 2003, all NASA Centers will use the Core Financial Module to implement full cost accounting and to produce NASA's financial statements. Additionally, the Core Financial Module will contain the data that NASA's independent auditors will rely on to accomplish their annual financial statement audits. As a first step in successfully implementing its Full Cost Initiative, NASA must successfully implement full cost accounting within the Core Financial Module. However, the Core Financial Module alone will not implement NASA's Full Cost Initiative. NASA will achieve its Full Cost Initiative only by also successfully implementing the Budget Formulation Module.<sup>8</sup> Implementation of the Budget Formulation module will begin in October 2003 and will be completed in February 2004.

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<sup>8</sup>The Budget Formulation Module will implement budget development, reporting, cost-based budgeting, and management and will interface with the Core Financial Module.



## **Appendix C. Objectives, Scope, and Methodology**

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### **Objectives**

The original audit objectives were to determine whether the Core Financial Module would:

- properly implement NASA's Full Cost Initiative Implementation Guide and
- adequately support NASA's preparation and audit of its financial statements.

After we started our audit work, we learned that the Core Financial Module alone would not implement NASA's Full Cost Initiative (see Appendix E). Only through successful implementation of the Core Financial Module, in conjunction with the successful implementation of the Integrated Financial Management Program (IFMP) Budget Formulation Module, will NASA achieve its Full Cost Initiative. Currently, the IFMP Budget Formulation Module is not scheduled for completion until February 2004. Since realizing that the Core Financial Module would not implement NASA's Full Cost Initiative, we modified our first objective to determine whether the Core Financial Module would implement full cost accounting – a primary component of the Agency's Full Cost Initiative, by the target date of October 1, 2003.

During our review, we learned that NASA contracted with PricewaterhouseCoopers Consulting (now International Business Machines) to perform an independent system compliance review of the Core Financial Module software, including testing transactions, to help determine whether the Core Financial Module would adequately support NASA's preparation and audit of its financial statements. Through coordination with NASA officials and International Business Machines and to avoid duplication of audit work, we agreed to rely on the work performed by International Business Machines to address our second objective.

### **Scope and Methodology**

Our audit focused on the Core Financial Module because it (1) is the backbone of the IFMP, consisting of the NASA-wide fully integrated auditable accounting system and (2) is slated for implementation at all NASA Centers by June 2003. We did not perform work related to the Budget Formulation Module (to be implemented at all Centers by February 2004).

Marshall Space Flight Center (Marshall) was tasked to be the Lead Center for the Core Financial Module. The Integrated Financial Management Program (IFMP) facility is in Huntsville, Alabama. We performed audit work at the Marshall IFMP facility and NASA Headquarters. Personnel working at the IFMP facility include the Core Financial Module implementation team, integration team, program office representatives, and NASA-hired consultants.

To accomplish our objectives, we held regular meetings with IFMP and Core Financial Module officials,<sup>9</sup> attended training sessions<sup>10</sup> with Core Financial Module and NASA program office officials, and reviewed the following IFMP and Core Financial Module documentation:

- the IFM Program Commitment Agreement,
- IFM Program and Core Financial Module Project plans, and
- results reported by the independent validation and verification team.<sup>11</sup>

In addition, we researched the following in order to gain an understanding of full cost accounting, financial statement requirements, and NASA program requirements:

- Chief Financial Officer's Act of 1990;
- Federal Financial Management Improvement Act of 1996;
- Federal Accounting Standards Advisory Board Standard Number 4;
- NASA's Full Cost Initiative Agencywide Implementation Guide, February 1999;
- Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements";
- NASA Procedures and Guidelines 7120.5A, "Program and Project Management Processes and Requirements";
- NASA Policy Directive 7120.4B, "Program/Project Management"; and
- Joint Financial Management Improvement Program cost-related requirements.

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<sup>9</sup>Each month, the IFM Program Office conducts a meeting by video-teleconference as a means to keep all personnel working on the IFMP abreast of current issues related to all IFMP projects.

<sup>10</sup>In June 2002, we attended "pre-training" sessions for the MSFC finance personnel. The sessions covered changes to the financial management system as a result of the upcoming Core Financial Module implementation.

<sup>11</sup>The independent validation and verification team's mission is to increase software safety and quality, reduce software costs, and improve delivery time through the early detection and resolution of errors by utilizing and applying empirically based software engineering best practices.

## **Appendix C**

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During IFMP facility visits, we obtained access to the software NASA purchased to operate the Core Financial Module to learn some of its capabilities. We also met frequently with the independent verification and validation team NASA hired in order to understand their objectives and the work performed to help ensure that NASA would be successful in implementing the Core Financial Module. We also spoke with contractor (SAP Public Sector and Education, Inc., of Washington, D.C.) employees and attended a demonstration of software for the Core Financial Module at SAP's Washington, D.C., office to learn about some of the software's features relating to audit capabilities.

We have performed prior audits of the IFMP, which are summarized in Appendix G.

### **Audit Field Work**

We performed audit field work from October 2001 through November 2002 in accordance with generally accepted accounting government auditing standards. We did not use computer-processed data in the audit.

## **Appendix D. NASA's History of Implementing a Financial Management System**

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In 1989, the Office of Management and Budget reported that NASA did not have a standardized, centralized financial accounting system, which constituted a material internal control weakness. To resolve the problem, the Agency began work on two major system development projects: the NASA Accounting and Financial Information System and the Time and Attendance/Labor Distribution Module. NASA designed both of these systems to incorporate and link the numerous systems at the NASA field Centers and Headquarters using specially designed software.

In February 1995, the NASA Chief Financial Officer terminated all work on both systems and redirected efforts toward a new approach for an integrated financial management information system through the purchase of commercial-off-the-shelf software. NASA referred to the new project as the Integrated Financial Management Project, which was also called the IFMP.

The scope of the IFMP was planned to be much larger than that of the NASA Accounting and Financial Information System and the Time and Attendance/Labor Distribution Module and was to consist of many subsystems to be implemented in two phases. Phase I included the processes of core accounting, budget formulation and execution, procurement, time attendance and labor distribution, travel, and an executive information system. Phase II would include the processes of payroll, personnel, receivables, and grant management. One of the initial steps in the IFMP was to reengineer each of those processes to streamline and improve them. Once the process reengineering was complete, the plan was to identify, evaluate, and acquire software that best fit those processes.

A full-time Project Manager and 12 employees were appointed to manage the project at Headquarters (see Appendix F for descriptions of key officials and their responsibilities). The reengineering tasks and software selection process were carried out by 168 NASA employees in various teams at each Center. As of August 1995, NASA scheduled system implementation by October 1, 1997. However, due to project delays, implementation was postponed until July 1, 1999. NASA awarded a fixed-price contract to KPMG Peat Marwick of Washington, D.C., on September 18, 1997, to provide and implement the IFMP software.

On February 26, 1998, KPMG notified NASA that it would not meet key elements of the contract delivery schedule. NASA issued a contract modification that extended delivery to June 1, 2000, and allowed additional costs.

## Appendix D

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On December 1, 1998, KPMG made an incomplete delivery of the IFMP system to the IFMP Integrated Test Facility – the first major milestone under the revised delivery schedule. The incomplete delivery required further contract modification, and NASA was unable to determine the extent to which the incomplete delivery would affect the revised delivery schedule. As a result, NASA issued a stop work order to KPMG in March 2000.

In March 2000, NASA established a new management team and a new strategy for implementing an integrated financial management system. The new effort would consist of eight modules, with the Core Financial Module as the backbone of the system. The eight modules and their completion dates are Resume Management (December 2001), Position Description Management (September 2002), Travel Management (February 2003), Core Financial (planned for June 2003), Budget Formulation (planned for February 2004), Human Resources (to be determined), Asset Management (to be determined), and Procurement Management (to be determined).

On September 20, 2000, NASA selected a contractor, SAP Public Sector and Education, Inc., of Washington, D.C., to deliver a commercial-off-the-shelf software core accounting system to replace the 10 accounting systems used by the NASA Centers. A team comprised of some of NASA's most highly motivated employees representing a broad range of skill levels was organized at NASA's Marshall Space Flight Center to implement the pilot program there and to support implementation at the other NASA Centers. The Agency's plan is that the Core Financial Module accounting software will run at the Marshall Space Flight Center and the remainder of the Agency will use a single instance of the application from all NASA Centers that will feed into the database running at the Marshall Space Flight Center. NASA's planned IFMP Core Financial system deployment sequence is: Pilot Center (George C. Marshall Space Flight Center) and Glenn Research Center at Lewis Field – deployed in October 2002; Headquarters, Lyndon B. Johnson Space Center, and John F. Kennedy Space Center – deployed in March 2003; Ames Research Center – April 2003; and Dryden Flight Research Center, Goddard Space Flight Center, Langley Research Center, and John C. Stennis Space Center – June 2003.

## **Appendix E. Full Cost Management and IFMP**

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In February 1999, NASA issued the Full Cost Initiative Agencywide Implementation Guide. The initiative began in 1995 in response to guidance from several NASA and Federal authorities. The initiative also stemmed from the Agency's inability to obtain information regarding NASA overhead costs at each Center. In response to the initiative, the NASA Chief Financial Officer (CFO) confirmed that NASA's nonstandard, decentralized accounting systems did not capture overhead costs in a consistent, rigorous, reliable, or usable manner, leading NASA to commence the Full Cost Initiative. More specifically, NASA based the Full Cost Initiative on the following guidance:

**Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standards Number 4: Managerial Cost Accounting Standards and Concepts.** This statement requires that reporting entities report the full costs of outputs in general-purpose financial reports. Each entity's full cost should incorporate all the costs of goods and services that it receives from other entities. The full cost of resources that directly or indirectly contribute to the production of outputs should be assigned to outputs through the costing methodologies or cost-finding techniques that are most appropriate to the entity's operating environment, and the methodologies or techniques should be followed consistently. The full cost of an output produced by a responsible segment of the entity is the sum of (1) the costs of resources consumed by the output and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities.

**Federal Financial Management Improvement Act of 1996.** The Act provides for consistency of accounting by an agency from one fiscal year to the next and for uniform accounting standards throughout the Federal Government. The Act also requires Federal financial management systems to support full disclosure of Federal financial data, including the full costs of Federal programs and activities, to the citizens, the Congress, the President, and agency management so that programs and activities can be considered based on their full costs and merits.

**Office of Management and Budget Bulletin No. 97-01, "Form and Content of Agency Financial Statements."** This bulletin requires reporting entities to define and establish responsible offices for cost accumulation and reporting and to report the full cost assigned to each responsible office. Program costs include the full costs of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to the program outputs.

## Appendix E

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Program costs also include any nonproduction costs that can be assigned to the program but not to its outputs.

**CFO Act of 1990.** The CFO Act requires reporting entities to prepare and transmit, by not later than 60 days after the submission of the audit report, an annual report to the agency head and the Director of the Office of Management and Budget. The report shall include a description and analysis of the status of financial management of the agency and the annual financial statements.

**NASA's Plan.** According to the Full-Cost Initiative, NASA's programs and projects<sup>12</sup> are the primary activities upon which full cost data will be developed and used. NASA plans to assign costs to programs and projects by directly tracing costs when economically feasible, assigning service costs on a cause-and-effect basis and allocating general and administrative costs on a reasonable and consistent basis.

**Service Costs**<sup>13</sup> will be "charged" or assigned to a project based on project-controlled service use (that is, consumption). Because there are many ways to measure consumption and, therefore, to assign costs, the key criteria for cost assignment selection is the adequacy of the linkage between the cost incurred and the benefiting party. NASA assigned service pool distribution bases for cost assignment in Appendix 4 of NASA's Full Cost Initiative Agencywide Implementation Guide.

**General and Administrative Costs**<sup>14</sup> will be allocated to projects in a consistent, logical manner based on a metric that indirectly relates such costs to NASA projects. For example, a Center's general and administrative rate, or cost per full-time equivalent, will be the total general and administrative cost divided by the total project direct labor.<sup>15</sup>

In addition, the Full-Cost Initiative will support full disclosure and full accountability of NASA's resources.

The software in the Core Financial Module supports NASA's full cost accounting. The project system module, which is within the Core Financial Module, records cost data against the applicable projects. The contractor's (SAP Public Sector and Education, Inc., of Washington, D.C.) software uses the cost pools to allocate costs to the benefiting

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<sup>12</sup>Programs are major activities, within a Strategic Enterprise, that have defined goals, objectives, requirements, phased funding levels, and consist of one or more projects. Projects are significant activities, within a program, that have defined goals, objectives, requirements, and life-cycle requirements, a beginning, and an end. Single-project programs are defined as programs.

<sup>13</sup>NASA will assign service pool costs to cost objectives.

<sup>14</sup> NASA will allocate general and administrative costs to cost objectives.

<sup>15</sup>Total project direct labor consists of civil service, direct labor, and on-site contractor direct labor.

projects. For example, costs will be recorded against primary cost elements based on the fund code structure on the source (funding) document. The full cost accounting method will help ensure that indirect labor, travel, and general and administrative costs will be allocated to the benefiting projects.



## Appendix F. Key IFMP Officials and Responsibilities

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**Program Executive.** The Program Executive is responsible for corporate level management of program rollout, budget, performance, and schedule requirements for the Integrated Financial Management Program (IFMP). The Program Executive has decision authority over all IFMP content, implementation schedules, and budget allocations and provides leadership and accountability for top-level program requirements, implementation success criteria, overall performance definition, and strategic planning in the direction and operation of the IFMP.

**Program Director.** The Program Director reports to the Program Executive and has lead responsibility for management of the IFMP. The Program Office for the IFMP has responsibility to implement the IFMP according to the Program Commitment Agreement, the IFMP Program Plan, and the individual IFMP Project Plans. The Program Director is under the oversight of the Agency's Chief Financial Officer (CFO) and the IFMP Steering Council.

**Chief Financial Officer.** The CFO is responsible for ensuring that the IFMP meets externally mandated requirements while satisfying internal customer needs in a cost-effective manner.

**Steering Council.** The Steering Council acts as a forum for reviewing and approving the Agencywide crosscutting facets of the program to include Agency Business Drivers, program strategy, program budgets, module sequencing and priority, commercial off-the-shelf software modifications, change management strategy, and project scope expansion. Other responsibilities include resolving functional conflicts, project execution issues, change management issues, process team issues, and ensuring functional integration.

**Project Manager.** The Project Manager is Center-based and responsible for planning and managing each functional module as the IFMP Program office approves. Each Project Manager is semiautonomous and has the authority to manage the implementation of the assigned function within the policies and guidelines established by the IFMP Program Office. The Project Manager coordinates process team activities and supports the selection of software products, including updating requirements based on the selected software's capabilities and the developed gap assessments (gap assessments identify differences between NASA's requirements and the software's capabilities).

**Integration Project Manager.** The Integration Project Manager is responsible for establishing a viable technical infrastructure and ensuring the coordination of the various functional module requirements. Other responsibilities include ensuring that each IFMP module is appropriately integrated/interfaced, minimizing redundant data, and ensuring that data definitions are consistent across modules. Additional responsibilities include

establishing life-cycle requirements, configuration management, infrastructure and support, and module and system testing. Day-to-day leadership of the Integrated Project Teams is a responsibility shared by NASA and the implementation contractor (Accenture).

## Appendix G. Prior Audit Reports

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The NASA Office of Inspector General (OIG) has performed prior audits related to NASA's first attempt at implementing Integrated Financial Management Program (IFMP) as summarized below.

**“Early Phases of NASA's Integrated Financial Management Project (IFMP),” Report Number IG-97-001, October 21, 1996.** The OIG reported to NASA management that additional steps should be taken in IFMP planning to ensure that the project was cost-effective and consistent with important management objectives and legal requirements. The steps should include conducting functional and overall risk analyses as part of the requirements definition, performing and documenting a comprehensive analysis of alternatives for meeting requirements, modifying project plans to include several key cost issues and alternatives, and preparing a more realistic project schedule.

**“Observations Regarding the NASA Employee Attendance Tracking System,” Management Letter Number M-IG-97-011, July 15, 1997.** The OIG reviewed NASA's planned implementation of the employee attendance-tracking module of the IFMP. We recommended that before developing its own system as a separate module under the IFMP, NASA consider the feasibility of cross-servicing with other Federal agencies that had already implemented successful employee time and attendance systems.

**“NASA's Integrated Financial Management Project – Time and Attendance/Labor Distribution Module,” Report Number IG-98-004, December 17, 1997.** The OIG continued its review of NASA's planned implementation of the employee attendance-tracking module of the IFMP to ensure that NASA considered appropriate management controls. We reported to NASA management that several key management controls and security mechanisms needed to be built into NASA's planned time and attendance module of the IFMP to reduce the risk of errors with critical labor distribution data and to protect sensitive personnel data.

**“Implementation of NASA's Integrated Financial Management Project,” Report Number IG-99-026, April 27, 1999.** We reported that the IFMP contractor, KPMG Peat Marwick of Washington, D.C., would not deliver to NASA a commercial off-the-shelf (COTS)-based integrated financial management system by July 1999 and that KPMG had not developed the COTS software and several other technical requirements as agreed to under the contract. These problems required further contract modification, and NASA was unable to determine the extent to which the problems would affect the revised delivery schedule.

**“Survey Results for the Audit of NASA’s Integrated Financial Management Program,” Assignment Number A-01-061-00, March 29, 2002.** During our survey, we reviewed the procurement actions, as of November 2001, that supported the acquisition and implementation of the Core Financial Module for the IFMP. We found no discrepancies regarding those actions and reported that as of January 2002, the Core Financial Module was within budget and on schedule.

## Appendix H. Management's Comments Dated February 26, 2003

National Aeronautics and  
Space Administration  
**Headquarters**  
Washington, DC 20546-0001



Reply to Attn of:

BF

February 26, 2003

**TO:** W/Assistant Inspector General for Audits  
**FROM:** B/Deputy Chief Financial Officer for Financial Management  
**SUBJECT:** Integrated Financial Management (IFM) Program Core Financial  
Module Conversion to Full Cost Accounting Draft Audit Report  
(Assignment A-01-061-00)

Thank you for the opportunity to review the subject draft report.

**General comments:**

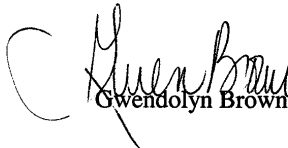
The Full Cost Policy and Operations Team has been formed, comprised of members from all the Centers, the IFMP Core Financial Team and Headquarters enterprises/functional offices, and is currently working to support the implementation of full cost throughout the Agency in order to ensure a successful transition to full cost.

The Team is identifying and working to resolve issues relating to our existing financial policies, making recommendations for policy changes, and designing and implementing ways of working to formulate, execute, and account for a full cost budget. The Team will brief and make recommendations to the Full Cost Committee, comprised of senior NASA management. New and revised policy will be incorporated in the update to the Full Cost Initiative Agency-wide Implementation Guide.

**Specific comments:**

Page 1, 2<sup>nd</sup> Paragraph, Line 6: The sentence that begins "If full cost procedures are not implemented by October 1, 2003, the Agency faces a high risk that it will be unable to use IFMP to report full cost accounting data **until** fiscal year (FY) 2004,....." is not clear. October 1, 2003 **is** FY 2004.

If you have any questions on these matters, please do not hesitate to contact me at 358-0978.

  
Gwendolyn Brown

## Appendix I. Management's Comments Dated April 4, 2003

National Aeronautics and  
Space Administration  
**Headquarters**  
Washington, DC 20546-0001



BFZ

April 4, 2003

Reply to Attn of:

**TO:** W/Assistant Inspector General for Audits  
**FROM:** B/Deputy Chief Financial Officer for Financial Management  
**SUBJECT:** Integrated Financial Management (IFM) Program Core Financial  
Module Conversion to Full Cost Accounting Draft Audit Report  
(Assignment A-01-061-00)

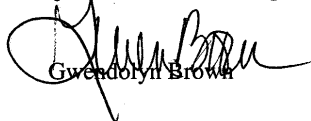
This memorandum provides a revised response to the subject draft report. The original response was dated February 26, 2003.

The scope of the audit was to examine the IFM program's capability to implement full cost accounting. During the audit, it was concluded that the software was fully capable, however, before implementation, several issues dealing with accounting for general and administrative (G&A) costs, civil service costs and unassigned costs needed to be resolved. The draft report recommended that the Deputy Chief Financial Officer for Financial Management should revise the IFM program plans to include the following:

- Timeframes and milestones for completing steps implementing full cost accounting, including addressing and resolving the cost issues identified above.
- Identification of the personnel and other resources necessary to perform the steps within the established timeframes.
- Senior management approval and support of these additional procedures.

I concur with the recommendation. The Full Cost Policy and Operations Team has been formed, and is comprised of members from all Centers, the IFMP Core Financial Team and Headquarters enterprises/functional offices. The Team is currently working on a plan that will identify timeframes, milestones, and resources needed to resolve the issues cited above. It is our current plan to have phases of Full Cost implemented by October 1, 2003. The Full Cost Initiative has the full support of NASA's senior management officials.

Thank you for the opportunity to review and respond to the draft report. If you have questions or concerns, please refer them to Melvin DenWiddie on (202) 358-0983.

  
Gwendolyn Brown

## **Appendix J. Report Distribution**

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**Report Title: Integrated Financial Management Program Core Financial Module Conversion to Full Cost Accounting**

**Report Number:** \_\_\_\_\_ **Report Date:** \_\_\_\_\_

*Circle the appropriate rating for the following statements.*

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