



Highlights of [GAO-04-255](#), a summary report of GAO-04-43, GAO-04-151, and GAO-04-118, reports to the Senate Committee on Commerce, Science, and Transportation, and the House Committee on Science

Why GAO Did This Study

The National Aeronautics and Space Administration (NASA) spends 90 percent—\$13 billion—of its budget on contractors. Yet since 1990, GAO has designated NASA's contract management as a high-risk area—in part because the agency failed to implement a financial management system to provide information needed to make key program decisions. In April 2000, NASA initiated its most recent effort to implement an effective financial management system—the Integrated Financial Management Program (IFMP). Three years into the program, GAO found NASA risks building a system that will cost more and do less than planned. As a result, the Congress requested reviews of NASA's IFMP enterprise architecture and financial reporting and program cost and schedule controls.

What GAO Recommends

GAO is making recommendations in three separate reports:

- On IFMP's enterprise architecture, GAO recommends that NASA establish an effective architecture to guide and constrain the program.
- On IFMP's financial reporting, GAO recommends that NASA identify and address all areas that do not comply with federal systems requirements.
- On IFMP's cost and schedule control, GAO recommends that NASA follow best practices and NASA guidance in preparing the life-cycle cost estimate.

www.gao.gov/cgi-bin/getrpt?GAO-04-255.

To view the full product, including the scope and methodology, click on the link above.

BUSINESS MODERNIZATION

NASA's Challenges in Managing Its Integrated Financial Management Program

What GAO Found

IFMP offers NASA an opportunity to modernize its business processes and systems and improve its operations. However, NASA's acquisition strategy has created a number of challenges for IFMP. First, NASA has acquired and implemented many IFMP components—including the Core Financial module, the backbone of the system—without an enterprise architecture, or modernization blueprint, to guide and constrain the program. NASA has since recognized the need for an architecture and, after GAO completed its audit work, released one that NASA stated was incomplete. NASA has also taken steps to implement key architecture management capabilities, such as establishing an architecture program office and designating a chief architect. However, NASA has yet to establish other key architecture management capabilities, such as designating an accountable corporate entity to lead the architecture effort. Moreover, the architecture products NASA has used to date were insufficient to manage its investment in IFMP. NASA's approach of acquiring and implementing IFMP outside the context of an architecture increases the risk that the system's components will not support agencywide operations—an outcome that could cause costly system rework.

Two years into IFMP's development, NASA accelerated its implementation schedule from fiscal year 2008 to fiscal year 2006, with the Core Financial module to be completed in June 2003. To meet this aggressive schedule, NASA deferred testing and configuration of many key capabilities of the Core Financial module, including the ability to report the full cost of its programs. When the module was implemented at each of NASA's 10 centers, many of the financial events or transaction types needed by program managers to carry out day-to-day operations and produce useful financial reports had not been included. As a result of these and other weaknesses, NASA cannot ensure that the system routinely provides its program managers and other key stakeholders and decision makers—including the Congress—with the financial information needed to measure program performance and ensure accountability.

IFMP is further challenged by questionable cost estimates, an optimistic schedule, and insufficient processes for ensuring adequate funding reserves. IFMP's current life-cycle cost estimate does not include the full cost likely to be incurred during the life of the program. Until NASA uses more disciplined processes to prepare IFMP's life-cycle cost estimate, the program will have difficulty controlling costs. In addition, IFMP's schedule margins may be too compressed to manage program challenges—such as personnel shortages, uncertainties about software availability, and Office of Management and Budget initiatives to implement electronic systems for agency business processes governmentwide. These initiatives have already affected planning for IFMP's payroll, procurement, and travel components, an outcome that could result in schedule delays and cost growth. Finally, reserve funding for IFMP contingencies may be insufficient—particularly problematic, given the significant risks confronting the program.