National Aeronautics and
Space Administration

Office of Inspector General
Washington, DC 20546-0001

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TO: Integrated Financial Management Program Executive Director for Institutions and Management

FROM: Assistant Inspector General for Auditing

SUBJECT: Final Memorandum on Audit of the Implementation of Integrated Financial Management Program (IFMP) Audit Recommendations
Assignment Number A-04-032-00
Report Number IG-05-008

Executive Summary

The Office of Inspector General (OIG) is currently conducting an audit of NASA's management of the implementation of the Integrated Financial Management Program (IFMP) to assess the overall status of the program. One of the sub-objectives of the audit is to review the status of prior OIG and Government Accountability Office (GAO) audit recommendations that directly relate to IFMP and assess the Agency's responsiveness in implementing corrective actions to those recommendations. The purpose of this memorandum is to address that sub-objective.

As of January 3, 2005, NASA had 26 out of 44 (59 percent) audit recommendations related to IFMP that were still open and for which corrective action had not been completed. NASA concurred with all 44 recommendations. Some of those recommendations were more than 1 year old. Although the open recommendations were due in part to their complexity, the lack of an organized tracking system by the IFMP Office and missing information in the Agency's Corrective Action Tracking System (CATS II) also contributed to the condition. As a result, several corrective actions that the Agency agreed were necessary for successful IFMP implementation had not been taken. Prompt and effective action in response to OIG and GAO recommendations would significantly improve management and implementation of IFMP.

We recommended that the IFMP Office improve its process for controlling open audit recommendations by implementing a tracking process, analyzing and prioritizing all open recommendations, assigning appropriate resources and timeframes for implementing the corrective actions, and ensuring that corrective actions are completed in a timely manner. We also recommended that NASA update all of the data fields in CATS II to ensure that the automated system contains the current audit recommendation to include actions taken, closing dates, and comments to the recommendation. NASA concurred with each of our recommendations and established an IFMP audit recommendation tracking system, updated CATS II, and analyzed and assessed the status of each open IFMP audit recommendation. In its response to our draft report, NASA management concluded that

all but five (21) of the open recommendations identified in our draft audit memorandum were considered closed. While NASA may have taken action on the recommendations, we disagree that those 21 recommendations are closed. They are open until either the OIG or GAO verifies corrective actions have been taken and concur with closing the recommendations.

Background

The IFMP is NASA's ongoing Agency-wide transformation of its business systems and processes designed to improve fiscal and management accountability. IFMP is scheduled for completion in fiscal year 2008. NASA spent about $130 million on its prior efforts and expects to spend more than $800 million for its current efforts to fully implement an integrated financial management system. The IFMP has been the subject of much OIG and GAO scrutiny.

OIG and GAO completed 10 audits of IFMP since October 2001 and as of January 3, 2005, several additional audits of IFMP were ongoing. NASA agreed to implement the recommendations resulting from nine of those audits. The tenth audit was a summary report and did not contain any recommendations.

Office of Management and Budget (OMB) Circular A-50, "Audit Followup," September 29, 1982, provides policies and procedures that executive agencies should use when following up on OIG and GAO reports. OMB Circular A-50 states, "Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations." OMB Circular A-50 further requires that agencies establish audit followup systems that will ensure prompt resolution of audit recommendations. NASA's audit followup system is CATS II, which is maintained by the Office of Institutions and Management.

Open Audit Recommendations

As of January 3, 2005, NASA had 26 open audit recommendations relating to IFMP as shown in the following table:

Status of IFMP Audit Report Recommendations as of January 3, 2005

Report Number	Report Issue Date	Number of Recommendations	Open Recommendations
GAO-03-507	April 2003	3	3
GAO-04-43	November 2003	8	8
GAO-04-118	November 2003	6	6
GAO-04-151	November 2003	3	3
GAO-04-255*	November 2003	0	0
IG-03-015	May 30, 2003	1	0
IG-03-028	September 29, 2003	4	0
IG-04-017**	March 30, 2004	4	0
IG-04-016**	March 31, 2004	7	0
IG-04-027**	September 27, 2004	8	6
Total		**44**	**26**

***Report GAO-04-255, November 2003, summarizes GAO reports GAO-04-43, GAO-04-151, and GAO-04-118. The summary report did not make its own recommendations.**
****Subsequent to the August 31, 2004, issuance of a draft of this memorandum, the OIG agreed to close all four of the open recommendations related to Report IG-04-017, agreed to close three open recommendations related to Report IG-04-016, and issued Report IG-04-027.**

Although NASA agreed to take corrective action on many of the recommendations, as of January 3, 2005, some of the agreed-to corrective actions had not been completed. For example, in GAO report GAO-04-118, "Disciplined Processes Needed to Better Manage NASA's IFMP," dated November 2003, GAO recommended that NASA: (1) prepare cost estimates by the current work breakdown structure for the remaining IFMP modules, (2) provide a clear audit trail between the detailed work breakdown structure estimates and the IFMP estimates for the remaining modules, and (3) prepare a full life-cycle estimate for the entire IFMP that meets NASA's life-cycle and full cost guidance. Although NASA concurred with each of those recommendations, as of January 3, 2005, corrective action had not been taken.

Reasons for Open Audit Recommendations

Based on our analysis of the audit recommendations and discussions with NASA and GAO personnel, we attribute the high number of open audit recommendations to the:

- complexity of some of the recommendations,
- lack of a formal recommendation tracking process, and
- missing information in CATS II.

Complexity of Recommendations. The Acting Director of the IFMP Office stated that some of the recommendations were difficult to implement in a timely manner because of their complexity. The NASA Chief Financial Officer (CFO) echoed that sentiment in her May 2004 testimony before the House of Representatives' Subcommittee on Government Efficiency and Financial Management during which she stated, "some [of the recommendations] will take longer than others to be fully implemented, but, we are

unwavering in our commitment to the long-term financial health of our Agency." She also testified on the state of NASA's efforts to improve its financial management capabilities. The CFO stated that she appreciated the efforts of OIG working with the external (financial statement) auditors and GAO in guiding the Agency toward improved financial management.

Based on our analysis of the open recommendations, we believe that some of the recommendations are difficult to implement in a short time period. For example, in GAO report GAO-04-151, "NASA's Integrated Financial Management Program Does Not Fully Address Agency's External Reporting Issues," dated November 2003, one of the recommendations was to have the NASA Administrator direct that the IFMP Program Executive Officer implement a corrective action plan in coordination with NASA's CFO to produce financial management systems that comply substantially with the requirements of the Federal Financial Management Improvement Act. NASA fully concurred with that recommendation. In a February 27, 2004, letter to Congress, the NASA Administrator stated that the CFO and IFMP Program Executive Officer were developing the necessary actions to implement GAO recommendations for bringing the Core Financial Module of IFMP into compliance with the Act. The actions consisted of engaging stakeholders in developing user requirements, reengineering the acquisition management process, and developing a corrective action plan. However, implementation of the required actions is very difficult and time consuming because NASA personnel from almost every organization within the Agency must be engaged to fully implement the intent of the GAO recommendations. As of January 3, 2005, those actions had not been completed.

No Formal Tracking Mechanism. The Acting Director of the IFMP Office stated that the office did not have a formal mechanism for tracking open audit recommendations. As a result, the Acting Director could not readily provide the status of open recommendations and instead asked that OIG provide a list of open recommendations that included related information about associated OIG and GAO reports and dates. A tracking system, such as an informal spreadsheet, would have enabled the Acting Director to better monitor the recommendations by providing information such as the number of outstanding recommendations, the amount of time the recommendations were outstanding, the corrective action performed under each recommendation, and the staff members assigned to implement the recommendation. A tracking system containing accurate data would help ensure that the status of recommendations could be monitored at any time and aid in implementing corrective actions. To be an effective tool, however, the tracking system must be kept as up to date as possible.

Missing and Non-current Information in CATS II. OMB Circular A-50 requires that agencies establish audit followup systems that maintain accurate records on the status of audit recommendations. However, not all data fields were present in the CATS II system including Action Taken, Closing Date, Recommendation Comments, Recommendation Reference, and other date-related fields (entrance conferences, comments entered, and expected report). In addition to data fields that were missing, an official in the NASA Office of Institutions and Management stated that the individual audit liaison representatives responsible for updating the fields in the CATS II were not always timely with updates to the tracking system. CATS II is a key management tool for ensuring that

NASA management, the OIG Quality Control Division, and other interested parties can obtain accurate and timely information on the status of audit recommendations. Accurate and current information is essential for CATS II to be useful.

Resolving Open Audit Recommendations Would Benefit NASA

Resolving all of the open audit recommendations as soon as possible would help ensure more successful implementation of IFMP by correcting identified deficiencies. For example, by preparing a full life-cycle estimate for the entire IFMP that meets NASA's life-cycle and full cost guidance, as GAO recommended, NASA would have a better understanding of the time and resources needed to successfully complete IFMP. Also, the previously cited GAO report GAO-04-151 recommended in part that the IFMP Program Executive Officer implement, in coordination with NASA's CFO, a corrective action plan that produces financial management systems that comply substantially with the requirements of the Federal Financial Management Improvement Act. The Act provides agencies a blueprint for building fully integrated financial management systems that can provide decision makers with timely, reliable, and useful information. Implementing the corrective action plan as GAO recommended will help ensure the success of IFMP and compliance with the Federal Financial Management Improvement Act.

Recommendations for Corrective Action:

The Integrated Financial Management Program (IFMP) Executive should:

1. **Direct that the Acting Director of the IFMP Office (a) implement a process for tracking and monitoring all audit recommendations, and (b) analyze each open audit recommendation and identify those recommendations that are the most complex and will require the most time and effort to implement.**

Management's Response. Management concurred with the recommendation. The NASA IFMP Program Office implemented a system for tracking and monitoring all audit recommendations, performed an analysis of each open audit recommendation, and identified five GAO recommendations as the most complex and lengthy to address, resolve, and fully implement. The complete text of management's response is in Enclosure 3.

Evaluation of Management's Response. Management's action is responsive to the recommendation, and the recommendation is closed.

2. **For the more complex recommendations identified in Recommendation 1: (a) determine the steps required for implementing any associated corrective actions, (b) assign appropriate resources to each corrective action, (c) establish a realistic time frame for implementing each action, and (d) ensure that the corrective action is completed in a timely manner.**

Management's Response. Management concurred with the recommendation and provided details on the five recommendations NASA considers open and the most complex to resolve and implement. The complete text of management's response is in Enclosure 3.

Evaluation of Management's Response. Management's action is responsive to the recommendation, and the recommendation is closed.

3. **Provide the OIG and the GAO with an updated status of all open OIG and GAO audit recommendations to include work completed to date and the estimated final completion date.**

Management's Response. Management concurred with the recommendation and provided detailed summaries of NASA's responses and actions to all OIG and GAO audit recommendations. However, in response to the finding, management stated that they considered all but five of the recommendations to be closed. The complete text of management's response is in Enclosure 3.

Evaluation of Management's Response. Management's action is responsive to the recommendation, and the recommendation is closed. However, neither OIG nor GAO has verified any of the corrective actions described in management's response to the finding. OIG plans to follow up with NASA on the corrective action related to the OIG recommendations. GAO has not agreed to close any of its recommendations until it performs further analysis in its 2005 review cycle. Once OIG and GAO complete their review and are satisfied with management's actions, then the recommendations can be closed.

4. **The Director, Institutions and Management, should update all of the data fields in the CATS II for both the OIG and GAO modules and reflect the status of the IFMP audit recommendations.**

Management's Response. Management concurred with the recommendation. The Management Systems Division, in conjunction with the IFMP Office, will ensure that the status of OIG and GAO audit recommendations relating to IFMP, as well as all applicable and relevant data elements, is reflected in both the OIG and GAO modules of CATS II. The complete text of management's response is in Enclosure 3.

Evaluation of Management's Response. Management's action is responsive to the recommendation, and the recommendation is closed. As of October 4, 2004, the NASA Management Systems Division had made changes to CATS II based on NASA management's response to our August 31, 2004, draft memorandum.

If you have any questions or would like to discuss this further, please contact Mr. Karl Allen, Audit Program Manager, at (202) 358-2595.

Evelyn R. Klemstine

Enclosures

cc:
Chief Financial Officer/Ms. Sykes
Executive Officer, Integrated Financial Management Program/Mr. Ciganer
Office of Infrastructure, Management, and Headquarters Operations/Mr. Sutton

Recommendation Status

Recommendation	Resolved	Unresolved	Open/ECD*	Closed
1	X			X
2	X			X
3	X			X
4	X			X

*ECD – Estimated Completion Date.

Objective, Scope, and Methodology

Objective

OIG is conducting an audit of NASA's management of the implementation of IFMP to assess the overall status of the program. The specific sub-objectives are to evaluate:

1. Overall integration of the IFMP modules to determine if the modules work in concert with each other and interface as necessary with the appropriate systems.
2. IFMP's existing and planned resources to determine whether they are sufficient to achieve the program's objectives and schedule.
3. Oversight of IFMP contracts.
4. Implementation of past OIG and GAO audit recommendations for IFMP.

This memorandum addresses the fourth sub-objective.

Scope and Methodology

In order to meet our objective, we performed the following:

- Identified all OIG and GAO open audit recommendations related to IFMP, and obtained and reviewed all associated supporting documentation.
- Discussed with the Acting IFMP Director the IFMP Office's process for tracking and monitoring open audit recommendations.
- Reviewed IFMP-related audit recommendation data in the Agency's CATS II.
- Discussed with personnel from the NASA Office of Institutions and Management the status of the CATS II data and the process for entering and updating that data.
- Discussed, with GAO personnel, the status of all GAO open audit recommendations related to the IFMP.

Management Controls Reviewed

We evaluated both NASA's and the IFMP Program Office's process for monitoring and implementing audit recommendations in accordance with OMB Circular A-50 and OMB Circular A-123, "Management Accountability and Control." We identified a weakness in that process as described in the details of this memorandum.

Audit Work

We performed audit work from June 2004 through August 2004 at NASA Headquarters and Glenn Research Center in accordance with generally accepted government auditing standards. We issued a draft of this memorandum on August 31, 2004. Management provided formal comments to that draft on September 20, 2004.

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

September 20, 2004

TO: Inspector General

FROM: Executive Officer, Integrated Financial Management Program

SUBJECT: NASA Response to the Office of Inspector General (OIG) Draft Memorandum titled "Implementation of Integrated Financial Management Program (IFMP) Audit Recommendations" (Assignment number A-04-032-00)

Please find below and enclosed NASA's comments and responses to the subject OIG report.

The second paragraph of the OIG's draft memorandum states that "IFMP is the Agency's third *attempt* in more than 12 years to establish a fully integrated, federally compliant financial management system....". It should be noted that NASA completed its Agency-wide initial implementation of IFM's Core Financials accounting module in June 2003 and has been operating solely under this system for all day to day financial management activities during the entire FY2004 period.

Deleted

NASA is currently in its post-implementation "stabilization" phase which, based on similar public and private sector efforts, is expected to last at least another twelve to twenty-four months.

In addition to implementing an integrated, JFMIP-certified, budget execution and accounting system, it should be noted that the IFM Program has also fully implemented, as planned in the same time frame, a new staffing and hiring system, a position description management system, a travel management system, and an executive-level program/project portfolio monthly reporting system (ERASMUS). Finally, the IFM Program has also recently fully implemented an e-Payroll system, providing both personnel and payroll services, and the first phase of OPM's Recruitment OneStop.

Although those accomplishments represent significant progress over the past 3 years, the IFM Program recognizes that significant additional effort is needed to complete the development and implementation of a fully integrated ERP (Enterprise Resource Planning) system which, by design, will leverage on Core Financials, our now operational budget execution/accounting system, to provide

the required and expected Agency-wide, reliable and timely access to financial and managerial information.

Though improvements still need to be incorporated in NASA's and IFMP's audit recommendation tracking processes (see responses to Recommendations #1 and #4 below), NASA has been diligent in performing the actions related to all the recommendations; subsequently, as detailed below, there are now a few recommendations left that are not fully closed. Of the 35 GAO and OIG recommendations identified in the subject OIG report, NASA considers 30 to be closed, and 5 to be open. The most current status of those recommendations will be reflected in the CATS II system update by October 1, 2004, and the OIG and GAO will then be asked to verify the status for all recommendations that NASA considers to be closed.

A breakdown of the recommendation status is as follows:

		Recommendations that NASA considers:	
Report #	**# of Recommendations**	**CLOSED**	**OPEN**
GAO-03-507	2*	2	
GAO-04-43	8	8	
GAO-04-118	6	3	3
GAO-04-151	3	1	2
IG-03-015	1	1	
IG-03-028	4	4	
IG-04-017	4	4	
IG-04-016	7	7	
Total	**35**	**31**	**5**

* In the subject report, the OIG identified 3 recommendations for GAO-03-507 when, in fact, there were only 2 recommendations identified by the GAO in their final audit report.

NASA's response to each of the 4 recommendations identified in the subject OIG report is as follows:

RECOMMENDATION #1

Direct that the Acting Director of the IFMP Office (a) implement a process for tracking and monitoring all audit recommendations, and (b) analyze each open audit recommendation and identify those recommendations that are the most complex and will require the most time and effort to implement.

NASA Concurs With Recommendation #1

The IFM Program Office has implemented a system for tracking and monitoring all audit recommendations. The IFMP Audit Recommendation Tracking System (IARTS) is a custom application developed by the IFM Program which is based on the Microsoft Access database tool.

IARTS is used for capturing, tracking and reporting on both GAO and OIG/Financial Audit recommendations. The IFMP Program Office Audit Liaison Representative (see response to Recommendation #4) is responsible for populating and maintaining IARTS, and for coordinating with all responsible parties to ensure that both the IARTS and CATS II are kept current.

NASA submits that the 5 GAO recommendations still currently open are the most complex and lengthy to address, resolve and fully implement. These are recommendations #'s 1, 2, and 3 of report GAO-04-118, and recommendation #'s 2 and 3 of report GAO-04-151. The latter 2 recommendations are, by far, the most complex of the 5 open recommendations. Enclosure 1 to this letter provides additional detail on these 5 recommendations.

NASA considers this Recommendation #1 to be CLOSED.

RECOMMENDATION #2

For the more complex recommendations identified in Recommendation 1: (a) determine the steps required for implementing any associated corrective actions, (b) assign appropriate resources to each corrective action, (c) establish a realistic timeframe for implementing each action, and (d) ensure that the corrective action is completed in a timely manner.

NASA Concurs With Recommendation #2

Enclosure 1 to this letter provides additional detail on the 5 recommendations left that NASA considers to be most complex to resolve and implement.

Based on this response, NASA considers Recommendation #2 to be CLOSED.

RECOMMENDATION #3

Provide the OIG and the GAO with an updated status of all open OIG and GAO audit recommendations to include work completed to date and the estimated final completion date.

NASA Concurs With Recommendation #3

Over the past several months, IFMP has provided input to the GAO on various recommendations (per specific GAO requests). Enclosures 1 and 2 to this letter provide summaries of NASA's responses and/or actions to all the GAO audit recommendations. Enclosure 3 provides a summary of responses and/or actions to all OIG audit recommendations (except for those audits in which the OIG identified as having no open recommendations).

Based on this response, NASA considers Recommendation #3 to be CLOSED.

RECOMMENDATION #4

The Director, Institutions and Management, should update all the data fields in CATS II for both the OIG and GAO modules and reflect the status of the IFMP audit recommendations.

NASA Concurs With Recommendation #4

The Management Systems Division, in conjunction with the Integrated Financial Management Program (IFMP) Office, will ensure that the current status of OIG and GAO audit recommendations relating to IFMP, as well as all applicable and relevant data elements, are reflected in both the OIG and GAO modules of CATS II. In order to ensure timely and accurate updates of the status of OIG and GAO audit recommendations going forward, the IFMP Program Office has appointed an Audit Liaison Representative (ALR) to provide on-going support of audit follow-up activities specific to IFMP audit recommendations.

Additionally, to ensure timely and accurate status updates for all OIG and GAO audit recommendations agency-wide, the Management Systems Division will issue an interim policy statement directing that ALRs for each Mission Directorate, Mission Support Directorate, Staff Office, and Center provide a status update of each OIG and GAO audit recommendation on at least a quarterly basis, with the first update being accomplished by October 29, 2004. This status update will consist of 1) a narrative summary of on-going activities intended to implement the recommendation, and 2) management's consideration of whether each recommendation will be implemented within the timeframe agreed to by management and the auditors.

To formalize this action, the Management Systems Division will incorporate this requirement in the proposed NASA Procedural Requirements (NPR) entitled "*GAO/OIG Audit Liaison and Follow-up*." Issuance of this proposed NPR is anticipated to occur in early 2005, and is contingent upon the revision and/or development of related NPDs and NPRs relating to NASA's management control program.

The final projected completion date for this audit recommendation is March 31, 2005.

Please do not hesitate to contact me if you have any questions regarding this reponse.

Patrick A. Ciganer

Enclosures

cc:
Chief Financial Officer
Associate Administrator for Institutions and Management