

JP-96-002

**AUDIT
REPORT**

**"TRIAL BALANCE OF
GENERAL LEDGER ACCOUNTS"
REPORT**

JET PROPULSION LABORATORY

JUNE 5, 1996



National Aeronautics and
Space Administration

OFFICE OF INSPECTOR GENERAL

National Aeronautics and
Space Administration

Headquarters
Washington, DC 20546-0001



JUN 5 1996

Reply to Attn of: W

TO: B/Chief Financial Officer

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Report of the "Trial Balance of General Ledger Accounts" Report
Jet Propulsion Laboratory (JPL)
Assignment No. A-JP-95-009
Report No. JP-96-002

The Office of Inspector General has completed an audit of the need for the "Trial Balance of General Ledger Accounts" report prepared by the California Institute of Technology at JPL. The audit found that there is no current need for the report. Until fiscal year (FY) 1992, NASA Headquarters used the report to annually update its Government Owned/Contractor-Held (GOCH) asset accounts at JPL. Beginning in FY 1992, NASA changed its method of recording GOCH assets from using the subject report to using a "Report on Government Owned/Contractor-Held Property" report. With the change, however, NASA did not direct Caltech/JPL to discontinue the subject report even though it was no longer needed. Eliminating the report could result in an annual \$125,000 cost avoidance to NASA.

The results of the audit were discussed with the former Chief, Headquarters Accounting Branch, on August 17 and September 6, 1995. A written response was received from your office on December 12, 1995. The comments are summarized after the recommendation and included in their entirety in Appendix B.

The audit report recommends that you request Caltech/JPL to stop preparing the report and any effort to collect and summarize data used to prepare the report. Your response stated that you concur with the recommendation, but do not want to direct JPL to stop preparing the report because it contains valuable information that is needed until JPL installs its planned general ledger accounting system. Neither your office nor JPL, however, could provide us support on the report's use or why the information already provided by Caltech/JPL is not sufficient for management's needs. Because nothing came to our attention during the audit to support any further need for the report, your comments are not considered fully responsive to our report recommendation.

Accordingly, we reaffirm the recommendation to eliminate the subject report and request that this be done as soon as possible. Further, we request a response by June 28, 1996 regarding any additional actions management plans to take. In accordance with NMI 9910.1A, please include our office in the concurrence cycle for closing the recommendation included in this report.

If you would like to discuss this issue further, please call Robert Wesolowski, Director, Audit Division-A, or me at (202) 358-1232.


Debra A. Guentzel

Enclosure

cc:

JMC/D. Green

SPJ/K. Lindstrom

W/R. Flann

INTRODUCTION

The NASA Office of Inspector General (OIG) has completed an audit of the continuing need for the "Trial Balance of General Ledger Accounts" report prepared by the California Institute of Technology (Caltech) at the Jet Propulsion Laboratory (JPL). The report is provided to NASA Headquarters at fiscal year-end for use in updating NASA's Government-owned/Contractor-held (GOCH) asset accounting data.

The report title does not match the contents of the report. It is neither a trial balance nor a general ledger. The data in the report is largely (1) GOCH asset data obtained from the property database used to prepare the Report on Government/Owned-Contractor-Held assets and (2) Expenditure, Cost and Obligation data obtained from the NASA Contracts and Expenditure Report, Status of Funds report, and Active Tasks Government Requisition report.

Recently, both NASA and Caltech/JPL have started to move forward with obtaining new financial management systems. Caltech/JPL's system is expected to be in place by September 1997. The OIG has recommended that the NASA Chief Financial Officer coordinate efforts with Caltech/JPL to ensure effective and efficient communication of data between the two systems.

JPL is a Federally Funded Research and Development Center (FFRDC) operated by Caltech under NASA Contract NAS7-1260. The contract was effective September 20, 1993, and replaced contract NAS7-918 and contract NAS7-920(F). JPL, staffed largely with Caltech employees, is a Government-owned installation located in Pasadena, California. JPL also operates other NASA facilities in Southern California, at Goldstone Tracking Station and Table Mountain. The NASA Management Office at JPL provides NASA management oversight of JPL operations.

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OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVE

The objective of this audit was to determine the need for the "Trial Balance of General Ledger Accounts" report prepared by Caltech/JPL and submitted to NASA.

SCOPE AND METHODOLOGY

The audit included:

- reviewing the NASA contract with Caltech and the NASA Financial Management Manual (FMM) to determine the reporting requirements;
- interviewing NASA and Caltech/JPL personnel to determine the report's past and current need;
- obtaining the cost of preparing the report from Caltech/JPL; and
- verifying reporting requirements with NASA Headquarters Financial Management personnel.

INTERNAL CONTROLS REVIEWED

Significant internal controls relating to the authority, purpose, and use for the report were reviewed to determine whether NASA management was aware of the report's purpose and use.

AUDIT FIELD WORK

Audit field work was conducted at JPL and NASA Headquarters from June through August 1995. The audit was performed in accordance with generally accepted government auditing standards, and included such tests of applicable records, documents and internal controls as were considered necessary in the circumstances.

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OBSERVATIONS AND RECOMMENDATIONS

OVERALL EVALUATION

No current need for the "Trial Balance of General Ledger Accounts" report could be identified. Until fiscal year (FY) 1992, NASA Headquarters used the report to annually update its GOCH assets at JPL. Beginning in FY 1992, NASA changed its method of recording GOCH assets at JPL. With the change, however, NASA did not direct Caltech/JPL to discontinue the report. Eliminating the report could result in an annual \$125,000 cost avoidance to NASA.

REQUIREMENT FOR THE REPORT

No current or past written requirement for the "Trial Balance of General Ledger Accounts" report could be found in the NASA FMM or under the terms of the NAS7-1260 and prior contracts with NASA. According to Caltech/JPL's financial management personnel, the report had been prepared since 1962 at the direction of NASA Headquarters Financial Management Division (see Appendix A). However, when NASA Headquarters discontinued using the report to record GOCH assets at JPL in 1992, it did not request Caltech/JPL to discontinue its preparation.

Starting in FY 1992, the NASA Form 1018 report entitled "Report on Government-Owned/Contractor-Held Property" was used to record GOCH assets at JPL. This change made the reporting of JPL GOCH assets consistent with the NASA FMM.

The Chief of the Headquarters Accounting Branch (the recipient of the report) told us that he no longer had a use for the "Trial Balance of General Ledger Accounts" report. Therefore, since NASA does not need the report and Caltech/JPL stated that they were submitting the report at the direction of NASA the report currently serves no purpose.

Caltech/JPL estimates that it costs \$125,000 annually to prepare and submit the report to NASA (see Appendix A). This estimate includes the cost of extracting computerized data and personnel resources involved in compiling the data and preparing the report. Therefore, eliminating the report and the effort to collect and summarize data used to prepare the report could result in an annual \$125,000 cost avoidance to NASA.

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RECOMMENDATION

The NASA Chief Financial Officer should request Caltech/JPL to stop preparing the report and any effort to collect and summarize data used to prepare the report.

Management's Response

Concur in part. Management stated, "While the 'Trial Balance of General Ledger Accounts' is not based on a general ledger accounting system, it contains valuable information and should be retained until general ledger-based data is available. Further, if the anticipated revisions to OMB Circular A-133 require Federally Funded Research and Development Centers to prepare audited financial statements, as is currently expected, the data developed by JPL for the 'Trial Balance of General Ledger Accounts' report should help in meeting the financial statement requirement until a general ledger accounting system is installed. In view of the foregoing, we are reluctant to direct JPL to discontinue the current 'Trial Balance of General Ledger Accounts' report, and related data analysis, until JPL installs its planned general ledger accounting system."

**Evaluation of
Management's Response**

Management's planned action is partially responsive to the recommendation by their willingness to discontinue the "Trial Balance of General Ledger Accounts" report after JPL installs its general ledger accounting system. However, nothing came to our attention to support any further need for the report (e.g., use of the information by NASA or JPL as the basis to prepare financial statements). The report primarily consists of: (1) Government-owned/Contractor-held asset data that is now available through the NASA Form 1018 report, and (2) Expenditure, Cost and Obligation data obtained from other reports. Further, because (1) neither NASA nor JPL management could provide us support on how the report is used or why the information already reported in other sources is not adequate, and (2) JPL's new financial accounting system is not expected to be implemented until September 1997, we believe management should implement the report recommendation and this should be done as soon as possible.

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MAJOR CONTRIBUTORS TO THIS AUDIT

Jet Propulsion Laboratory Roger Flann, Audit Field Office Manager
James Hoogian, Auditor-in-Charge

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Caltech/JPL letter

Jet Propulsion Laboratory
California Institute of Technology
4800 Oak Grove Drive
Pasadena, California 91109-8099
(818) 354-4321

JPL

July 20, 1995

Mr. Lorne A. Dear
Center Director
Office of Inspector General - JPL
4800 Oak Grove Drive
Pasadena, California 91109

Dear Mr. Dear:

Subject: JPL General Ledger Trial Balance

- References:
1. NASA Letter W/9951, Dated July 12, 1995, Mr. Dear to Ms. Greene
 2. JPL Letter 650-BLP:bjj, Dated July 9, 1993, Subject; JPL Trial Balance and General Ledger
 3. OIG Audit: FY'93 Activities on Chief Financial Officers Act (CFOA) (70005-93)

The Reference 1. letter requested a JPL point of contact to discuss the conditions set forth in the Reference 2. letter concerning JPL's general ledger trial balance.

Accordingly, Mr. Lebow, JPL's point of contact for this matter, met with Mr. Hoogioian on July 19, 1995. This meeting was coordinated with Ms. Greene, the addressee in the Reference 1. letter. Mr. Lebow confirmed that the conditions stated in the Reference 2. letter were still valid. Following is a restatement of the conditions stated in the letter:

1. There are no specific contractual requirements for JPL to maintain a general ledger and produce a year-end trial balance. In summary, although JPL does maintain a "project" ledger and provides a trial balance which consists of data converted and summarized from that ledger to NASA, there is no contractual requirement for these activities.
2. General Ledger accounting data is provided as requested in 1962 by NASA's Financial Management Division. Our understanding is that the data provided by JPL in the General Ledger Trial Balance Report is used by Code B solely to maintain their records of property values which are included in the Agencywide Trial Balance. Further, it is our understanding that the other information contained in the report is no longer needed or used by Headquarters.
3. The annual cost to the Jet Propulsion Laboratory, and by extension to the Government, of preparation and submittal of the General Ledger Trial Balance Report, is estimated to be \$125,000. This is based on the annual cost of the mainframe generated extract from the B-252 Property Reporting System

Caltech/JPL letter

Mr. Lorne A. Dear

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July 20, 1995

and an estimate of 1.5 workyears involved in compiling the data and preparing the report. It should be noted that this is the only use of information generated by the B-252 system.

Per discussions with Mr. Hoogioian, should there be a request to change JPL's General Ledger Trial Balance reporting, we request that it be in writing from NASA. The request should be addressed to Mr. Steve Dombrowski, JPL's Contracts and Finance Division Manager.

Please contact Mr. Lebow at (818) 354-6019 if you require further assistance with this matter.

Sincerely,



Lyle V. Burden, Manager
Financial Planning Section (671)

c: R. W. Flann, OIG-JPL
✓ J. K. Hoogioian, OIG-JPL
P. M. Hughes, Caltech
G. V. Stickley, NMO-JPL
H. M. Yohalem, Caltech
D. Bromley, NMO-JPL

Management's Response

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



Reply to Attn of BF

DEC 12 1995

TO: W/Inspector General
FROM: B/Chief Financial Officer
SUBJECT: Draft Audit Report of the Trial Balance of General Ledger Accounts
"AJP95-009"

The draft report recommends that the Jet Propulsion Laboratory (JPL) be directed to discontinue preparation of the "Trial Balance of General Ledger Accounts" report and any effort to collect and summarize data used to prepare the report. We concur with the recommendation and plan to implement it after JPL successfully installs its planned general ledger accounting system.

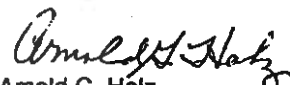
Although not discussed in the draft report, an earlier Office of Inspector General (OIG) report related to JPL's compliance with OMB Circular A-133 noted that a large public accounting firm had pointed out that:

"Currently, JPL does not use a general ledger accounting system; only a job costing system is in use. Consequently, there is no general ledger control over assets, liabilities, and revenues."

While the "Trail Balance of General Ledger Accounts" report is not based on a general ledger accounting system, it contains valuable information and should be retained until general ledger-based data is available. Further, if the anticipated revisions to OMB Circular A-133 require Federally Funded Research and Development Centers to prepare audited financial statements, as is currently expected, the data developed by JPL for the "Trial Balance of General Ledger Accounts" report should help in meeting the financial statement requirement until a general ledger accounting system is installed.

In view of the foregoing, we are reluctant to direct JPL to discontinue the current "Trial Balance of General Ledger Accounts" report, and related data analysis, until JPL installs its planned general ledger accounting system.

If you have any questions, please call Steve Varholy on 202-358-0978 or me on 202-358-2262.


Arnold G. Holz

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