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NASA's Bookkeeping System Still Won't Fly after \$565 Billion in 'Adjustments'

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May 20--WASHINGTON -- Nearly two-and-a-half years after NASA chief Sean O'Keefe vowed to straighten up the agency's bookkeeping, the effort continues to struggle,

"It may be years before NASA can get a clean audit," said Robert Cobb, the agency's inspector general, during a hearing Wednesday of a subcommittee of the House Government Reform Committee.

A plan to unify the National Aeronautics and Space Administration's 10 field centers and its Washington headquarters under a single accounting system -- a program that will cost the agency roughly \$1 billion -- has created even more short-term chaos.

Big problems emerged when PriceWaterhouseCoopers, NASA's former auditor, tried to take stock of the agency's 2003 accounts.

There were so many mistakes, as the agency tried to convert seven years of budget data into the new accounting system, that NASA had to make \$565 billion worth of "adjustments" to its financial statements, without adequate documentation.

In addition, PriceWaterhouseCoopers found that NASA had made a \$2 billion adjustment -- without supporting documents -- to its end-of-the-year account balance to make it jibe with the figure recorded by the U.S. Treasury.

The General Accounting Office, in testimony provided Wednesday, likened the move to simply changing the figures in a checkbook without figuring out why the original numbers were wrong.

Gwendolyn Brown, NASA's chief financial officer, said at the hearing that the \$565 billion in adjustments were a result of quirks in the new system. When a figure was put into the wrong category, she said, it would effectively be counted three times -- including when it was removed and when it was re-entered in the correct spot.

Brown said the \$2 billion change was the result of an "oversight" and that the agency is now reviewing years of financial statements to find the original error.

"Basically, I'm reconciling my checkbook for the last five years," she said.

While the new accounting system has had serious problems, Cobb and two representatives from the GAO told the committee that they are confident the system will eventually work.

"The important point is going forward and not letting it happen again," said Gregory Kutz, director of financial management and assurance at the GAO.

The GAO, essentially the watchdog for Congress, has hounded NASA about its financial management for more than a decade, for everything from sloppy bookkeeping with its numerous contractors to failing to properly account for rising costs on the international space station.

When President Bush appointed O'Keefe in late 2001, the new administrator conceded he was "a budgeteer, not a rocketeer," but he vowed to change the agency's reputation as a black hole for tax dollars.

O'Keefe did not testify before the committee Wednesday, and NASA declined to make him available for an interview.

Brown, who was confirmed by the Senate last November, said she is working hard to make the new system work.

"We're plotting a long-term approach, because this is a significant challenge," she said.

The ongoing accounting woes come at a time when NASA is fighting for a budget increase and trying to set the space program on a course back to the moon and on to Mars.

On Capitol Hill on Wednesday, U.S. Sen. Bill Nelson denounced a budget compromise as "awful" for NASA. The agreement, which essentially sets spending ceilings for the Appropriations committees, includes a \$560 million increase for NASA in 2005. But that's less than the \$866 million requested.

Nelson, a Florida Democrat who is a passionate advocate for the space program, vowed to fight the bill. While the legislation passed the House on Wednesday night, it faces a tough fight in the Senate, with some Republicans threatening to vote against it because of a tax-cut package tucked inside.

Nelson said that with the agency facing so many hurdles -- including returning the space shuttle to flight -- now is not the time to cut.

"Where's it going to come from?" Nelson asked. "Well, it's going to come from shuttle, or station, or science, or aeronautics, or the new exploration initiative. So why take that risk?"

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