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United States General Accounting Office
Washington, DC 20548

April 2, 2004

The Honorable John McCain
Chairman
The Honorable Ernest Hollings
Ranking Minority Member
Committee on Commerce, Science,
and Transportation
United States Senate

The Honorable Sherwood L. Boehlert
Chairman
The Honorable Ralph Hall
Ranking Minority member
Committee on Science
House of Representatives

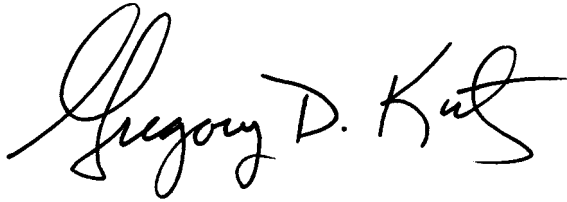
Subject: *NASA: Compliance with Cost Limits*

Section 202 of the National Aeronautics and Space Administration (NASA) Authorization Act of 2000 (P.L. 106-391) requires that GAO verify NASA's accounting for amounts obligated against established limits for the space station and related space shuttle support. Under the act, obligations are limited to \$25 billion for the space station and \$17.7 billion for shuttle support. In the past, we reported that NASA was unable to provide detailed support for the amounts it had reported as obligated against the limits. Thus, we could not verify the amounts NASA reported to Congress in its fiscal year 2002 through 2004 budget requests.

NASA's did not report obligations to date against the space station and shuttle cost limits as part of its fiscal year 2005 budget request. Therefore, there was nothing for us to audit this year and we were unable to perform the audit called for by section 202 of the act. As a result, we have no basis for verifying NASA's charges against the limits. We have provided a copy of the slides to NASA officials and they agreed with our conclusion.

As discussed with your staff, the enclosed slides summarize current and past reporting issues on these legislative restrictions. If you or your staff have any

questions about the slides, please contact me at (202) 512-9505 or by e-mail at kutzg@gao.gov or Diane Handley, Assistant Director, at (404) 679-1986 or by e-mail at handleyd@gao.gov.

A handwritten signature in black ink that reads "Gregory D. Kutz". The signature is written in a cursive style with a large, looped initial "G".

Gregory D. Kutz
Director, Financial Management and Assurance

Enclosures

International Space Station and Shuttle Support Cost Limits

Briefing to Staff of the Senate Committee on Commerce, Science, and Transportation and House Committee on Science
April 2, 2004

Briefing Contents

- Legislative Requirements
- Objective
- Summary of Past and Current Reporting
- Issues Impacting Cost Limits Going Forward
- Related Audit Issues
- Conclusion

NASA Authorization Act of 2000 Requirements

The act establishes general limitations on the development cost associated with the International Space Station (ISS) and shuttle launches in connection with ISS assembly:

- ISS obligations limited to \$25 billion.
- Shuttle launch obligations limited to \$17.7 billion.

As part of the annual budget request to Congress, NASA is required to update the Congress on its progress by:

- Accounting for the amounts obligated against the ISS and shuttle limitations to date.
 - Arrange for GAO to verify the accounting within 60 days of budget submission.
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Objective

- To provide updated information regarding NASA's ability to account for amounts charged against the ISS and shuttle spending limits included in section 202 of the National Aeronautics and Space Administration Authorization Act of 2000 (P. L. 106-391).

Summary of Past and Current Reporting

- **NASA Fiscal Year 2002 Budget:**
 - NASA's first report to the Congress under the act.
 - NASA reported that:
 - It had received about \$15.8 billion of budget authority through fiscal year 2000 related to the ISS limit.
 - It had charged \$1.5 billion against the shuttle limit through fiscal year 2000 (calculated based on \$380 million per launch, the maximum allowed by the act).
- **GAO August 2001 report:**
 - We found that NASA was unable to provide detailed support for the amounts obligated in all years against the spending limits.
(See U. S. General Accounting Office, *NASA: International Space Station and Shuttle Cost Limits*, GAO-01-1000R, Washington, D. C.: August 31, 2001).

Summary of Past and Current Reporting (Continued)

- **NASA Fiscal Year 2003 Budget:**
 - NASA reported \$17.9 billion budget authority received for the ISS limit through fiscal year 2001. NASA did not report amounts obligated for the shuttle limit through fiscal year 2001. However, it did report that the 32 planned shuttle missions required to assemble the ISS were valued at \$12.2 billion based on \$380 million per launch.
- **GAO April 2002 report:**
 - No change from our August 2001 report.
(See U. S. General Accounting Office, *NASA: Compliance with Cost Limits Cannot Be Verified*, GAO-02-504R, Washington, D. C.: April 10, 2002).

Summary of Past and Current Reporting (Continued)

- **NASA Fiscal Year 2004 Budget:**
 - NASA reported \$19.8 billion budget authority received for the ISS limit through fiscal year 2002 and did not report amounts obligated for the shuttle.
- **NASA Fiscal Year 2005 Budget:**
 - NASA did not comply with the requirements of section 202 of the National Aeronautics and Space Administration Authorization Act of 2000.
 - NASA did not report amounts obligated against the cost limits as part of its fiscal year 2005 budget request to Congress.
- **GAO Briefing in April 2003:**
 - No change from our August 2001 report. (See GAO-01-1000R).
- **GAO Results as of March 2004:**
 - No basis for validating amounts charged against the limits.
 - No change from our August 2001 report. (See GAO-01-1000R).

Issues Impacting Cost Limits Going Forward

- Grounding of the U.S. shuttle fleet and uncertainties about the timing for returning the shuttle to flight will delay completion of the ISS and increase cost.
 - Factors increasing cost include:
 - Unplanned maintenance and storage of station components at Kennedy Space Center that were ready for launch.
 - Unplanned testing and recertification of some of the station's components.
 - Costs for extending contracts for the retention of critical skills longer than planned to complete development and assembly of the station.
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Issues Impacting Cost Limits Going Forward

- Upon returning to flight, the shuttle will be dedicated to assembling the ISS and is to be retired upon completion of that work. However, until the shuttle return to flight date is known, it will be difficult for NASA to provide reliable estimates of the increase in costs and the station's completion date.

Related Audit Issues

- As part of our ongoing audit of NASA's efforts to implement a new financial management system, we reported that the new system currently does not provide reliable and timely cost information for program management and external reporting purposes, such as the ones set forth in the National Aeronautics and Space Administration Authorization Act of 2000. (U. S. General Accounting Office, *Business Modernization: NASA's Integrated Financial Management Program Does Not Fully Address Agency's External Reporting Issues*, GAO-04-151, Washington, D.C.: November 21, 2003).

Related Audit Issues (Continued)

- NASA's independent auditors (PricewaterhouseCoopers LLP) disclaimed an opinion on NASA's fiscal year 2003 financial statements because the agency could not provide sufficient documentation to support the financial statements. In addition, the independent auditors reported that NASA's financial management system was not in compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996.
- In January 2004, NASA Inspector General reported completing the ISS and the new integrated financial management system as two of the most serious management and performance challenges facing NASA.

Conclusion

NASA did not comply with the requirements of section 202 of the National Aeronautics and Space Administration Authorization Act of 2000 (P. L. 106-391).

- NASA did not report amounts obligated against the cost limits as part of its fiscal year 2005 budget request to Congress.