

Panel faults NASA audit, Andersen

Agency's ex-accountant hit for previous 'clean bill of health' reports

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WASHINGTON - Is NASA the federal government's version of Enron?

That was the question posed Wednesday by two members of a congressional panel investigating why NASA's new auditors refused last month to accept the space agency's assurances it is spending taxpayers' money wisely.

The hearing of the House Subcommittee on Government Efficiency came with this notice: "Financial Management at NASA: What Went Wrong."

But this hearing wasn't so much about NASA's well-publicized cost overruns on the International Space Station and other projects as it was over how the agency keeps its books, and its former auditor's role in reviewing them.

In fact, NASA's former auditing firm, Arthur Andersen, came under as much criticism Wednesday as the agency did.

Andersen gave NASA a "clean" audit opinion on its financial statements each year during the

firm's five-year contract with the space agency. NASA spent \$3.3 million on its contract with Andersen, which expired last year.

But NASA's new auditor, PricewaterhouseCoopers, said it refused to give an opinion for fiscal 2001 because NASA couldn't properly document its expenses and assets.

The General Accounting Office, the investigative arm of Congress, has also been much more concerned about NASA's finances than Andersen, said subcommittee Chairman Rep. Stephen Horn, a Republican from California.

"The status of NASA's financial management has been constantly questioned by the GAO and others, yet Arthur Andersen continued for years to give NASA a clean bill of health," Horn said. "Did the agency's financial management problems begin in fiscal year 2001 or were they always present?"

"Is NASA the government's Enron?"

Andersen pleaded innocent Wednesday to criminal charges that it obstructed justice by shredding tons of documents and deleting computer files related to Enron Corp. The Houston-based energy concern, the nation's seventh-largest company, filed for bankruptcy protection in December.

The committee's ranking Democrat, Rep. Janice Schakowsky of Illinois, also raised the specter of Enron.

"Most of my generation grew up with NASA responding to John Kennedy's challenge for America to go to the moon," she said. "Therefore we all share dismay when the GAO comes before us and says NASA can't keep its books straight.

"Even more troubling," Schakowsky added, is Andersen's favorable audits. "This is not unlike

what happened with Arthur Andersen at Enron."

None of the witnesses - no one representing Andersen testified - denied PricewaterhouseCoopers' assertions that NASA couldn't provide enough documentation in time for its latest annual audit.

But Alan Lamoreaux, NASA's assistant inspector general for audits, said the new auditing firm asked for much more documentation to check the reliability of NASA's books than had Andersen.

NASA also changed its accounting policy for some assets held by its contractors, Lamoreaux said. He also blamed communication problems between NASA and its new auditor.

Several of the witnesses also said NASA is especially difficult to audit because its 10 field centers, including Marshall Space Flight Center in Huntsville, have no uniform auditing policy.

But a top GAO official put the blame squarely on Andersen.

The firm "did not meet professional standards," testified Gregory Kutz, GAO's director of financial management and assurance.

Kutz said Andersen relied too heavily on NASA managers' assurances at the expense of documentary evidence in signing off on the agency's financial statements. NASA has a \$15 billion budget.

In one instance in reviewing NASA's 1999 finances, Kutz said, the so-called sample size of underlying documents Andersen auditors checked to verify financial claims "was zero."

Lamoreaux promised the committee that NASA financial managers would finish preparing a plan to correct its auditing problems by the end of this month. Time is crucial, he conceded. "Without adequate and timely resolution of these items, the (auditor's fiscal year) 2002 financial statement opinion . . . will be in jeopardy," Lamoreaux said.