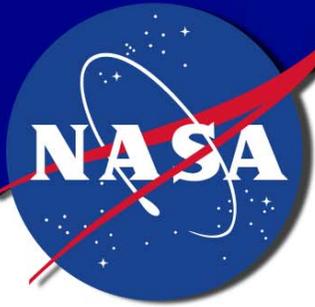


# **NASA Contractor Property Reporting**

**Elaine Slaugh**

**Jennifer Funk**

**NPMA Conference  
Jacksonville, Florida  
July 15, 2003**



# President's Management Agenda

“Ensure reliability of obtaining and sustaining clean audit opinions...”



# Executive Branch Management Scorecard

“...ensure accountability for performance and track results...”

NASA Financial Management

Red – “serious flaws”

# Executive Branch Management Scorecard

Current Status as of December 31, 2002

Progress in Implementing President's Management Agenda

	Human Capital	Competitive Sourcing	Financial Perf.	E-Gov	Budget/Perf. Integration	Human Capital	Competitive Sourcing	Financial Perf.	E-Gov	Budget/Perf. Integration
AGRICULTURE	Red	Red	Red	Yellow	Red	Green	Red	Green	Green	Yellow
COMMERCE	Red	Red	Red	Yellow	Yellow ↑	Green	Green	Green	Yellow	Green
DEFENSE	Yellow ↑	Red	Red	Red	Yellow ↑	Green	Yellow	Green	Green	Green
EDUCATION	Red	Red	Red	Yellow ↑	Red	Green	Green	Green	Green	Green
ENERGY	Yellow ↑	Red	Yellow ↑	Yellow ↑	Red	Green	Green	Green	Green	Yellow
EPA	Red	Red	Yellow ↑	Yellow	Yellow	Green	Green	Green	Green	Green
HHS	Red	Red	Red	Red	Red	Green	Green	Yellow	Yellow	Green
HOMELAND	Red	Red	Red	Red	Red					
HUD	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green
INTERIOR	Red	Red	Red	Red	Red	Green	Green	Red	Green	Green
JUSTICE	Red	Red	Red	Red	Red	Green	Green	Green	Green	Green
LABOR	Yellow	Red	Yellow ↑	Yellow	Yellow ↑	Green	Yellow	Green	Green	Green
STATE	Red	Red	Red	Red	Red	Green	Yellow	Green	Yellow	Green
DOT	Red	Red	Red	Red	Yellow	Green	Green	Green	Green	Green
TREASURY	Red	Red	Red	Red	Red	Green	Green	Green	Yellow	Green
VA	Red	Red	Red	Yellow ↑	Yellow ↑	Green	Green	Green	Green	Green
AID	Red	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green
CORPS of ENGINEERS	Red	Red	Red	Red	Red	Green	Red	Green	Yellow	Yellow
GSA	Red	Red	Yellow	Red	Red	Red	Green	Green	Yellow	Yellow
NASA	Yellow ↑	Red	Red ↓	Red	Yellow ↑	Green	Green	Green	Green	Green
NSF	Red	Red	Green	Green ↑	Red	Green	Red	Green	Green	Yellow
OMB	Red	Red	Red	Red	Red	Yellow	Green	Yellow	Green	Yellow
OPM	Yellow	Red	Yellow ↑	Yellow	Red	Green	Green	Green	Green	Green
SBA	Red	Red	Red ↓	Yellow	Yellow	Green	Green	Red	Green	Yellow
SMITHSONIAN	Red	Red	Red	Yellow	Red	Yellow	Yellow	Yellow	Green	Yellow
SSA	Yellow	Red	Yellow	Yellow	Yellow ↑	Green	Yellow	Green	Green	Green

↑ ↓ arrows indicate change in status since baseline evaluation on September 30, 2001

**National Aeronautics and Space Administration**  
**Consolidated Balance Sheet**  
**September 30, 2002 and 2001**  
**(In Thousands of Dollars)**

**Assets:**

	<u>2002</u>		<u>2001</u> (Restated)
Intragovernmental Assets:			
Fund Balance with Treasury (Note 2)	\$ 6,766,494		\$ 6,320,749
Investments (Note 3)	17,083		16,871
Accounts Receivable, Net (Note 4)	53,544		71,977
Advances and Prepaid Expenses	<u>21,274</u>		<u>22,035</u>
Total Intragovernmental Assets:	<u>6,858,395</u>		<u>6,431,632</u>
Accounts Receivable, Net (Note 4)	8,972		9,137
Materials and Supplies (Note 5)	2,208,064		1,678,791
Property, Plant and Equipment, Net (Note 6)	34,973,293	84%	35,865,043
Advances and Prepaid Expenses	44,907		41,169
<b>Total Assets</b>	<b><u>\$ 44,093,631</u></b>		<b><u>\$ 44,025,772</u></b>

**Liabilities:**

Intragovernmental Liabilities:			
Accounts Payable	\$ 181,244		\$ 160,418
Other Liabilities (Notes 7 and 8)	<u>232,713</u>		<u>89,662</u>
Total Intragovernmental Liabilities	<u>413,957</u>		<u>250,080</u>
Accounts Payable	2,326,774		2,719,115
Environmental Cleanup (Notes 1 and 8)	1,271,937		1,345,869
Other Liabilities (Notes 7 and 8)	<u>418,480</u>		<u>499,424</u>
<b>Total Liabilities</b>	<b><u>4,431,148</u></b>		<b><u>4,814,488</u></b>

**Net Position:**

Unexpended Appropriations	3,903,145		3,325,591
Cumulative Results of Operations	<u>35,759,338</u>		<u>35,885,693</u>
<b>Total Net Position</b>	<b><u>39,662,483</u></b>		<b><u>39,211,284</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 44,093,631</u></b>		<b><u>\$ 44,025,772</u></b>

The accompanying notes are an integral part of this statement.

**6. Property, Plant, and Equipment, Net:**  
(In Thousands of Dollars)

	<u>September 30, 2002</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Asset Value</u>
Government-owned/Government-held:			
Land	\$ 115,132	\$ —	\$ 115,132
Structures, Facilities, and Leasehold Improvements	5,501,471	(3,681,992)	1,819,479
Assets in Space	34,360,780	(17,347,280)	17,013,500
Equipment	1,843,468	(1,250,328)	593,140
Capitalized Leases (Note 10)	3,088	(666)	2,422
Internal Use Software and Development	16,549	(1,819)	14,730
Work-in-Process (WIP)	4,561,011	—	4,561,011
Total	<u>\$ 46,401,499</u>	<u>\$ (22,282,085)</u>	<u>\$ 24,119,414</u>
Government-owned/Contractor-held:			
Land	\$ 8,076	\$ —	\$ 8,076
Structures, Facilities, and Leasehold Improvements	723,453	(468,288)	255,165
Equipment	11,356,434	(8,096,532)	3,259,902
Work-in-Process	7,330,736	—	7,330,736
Total	<u>\$ 19,418,699</u>	<u>\$ (8,564,820)</u>	<u>\$ 10,853,879</u>
Total Property, Plant, and Equipment	<u>\$ 65,820,198</u>	<u>\$ (30,846,905)</u>	<u>\$ 34,973,293</u>

34%



# FY02 Audit Results

“Clean” opinion, but Material Weakness on Auditors Report on Internal Controls:

*“NASA lacks Adequate Controls to Reasonably Assure that Property, Plant and Equipment and Materials Are Presented Fairly in the Financial Statements”*



# Causes of Material Weakness

- Contractor-Held Property
  - Obsolete WIP & Materials
  - Materials vs. Equipment
  - Lack of Internal Controls
  - Inadequate Documentation
  - Work In Process (WIP) Reporting
- Assets in Space - Capitalization



# **Additional FY 2003 Considerations**

- The FY 2003 Financial Statements will be completed and audited by November 15, 2003
- Quarterly financial statements required



# Corrective Action: Other Considerations

## Interim Reporting:

- Quarterly Reporting of Detailed Data
  - Establish Baseline
  - Activity Data
  - Summary Data
- Quarterly Reporting Due Dates
  - June 30 – Due July 21
  - Sept 30 – Due Oct 15



# **Corrective Action: Other Considerations**

## **Annual NF 1018 Report:**

- **Contractors Submitting Quarterly Data**
  - Due November 30
- **Contractors Not Submitting Quarterly Data**
  - Due October 15



# Causes of Material Weakness

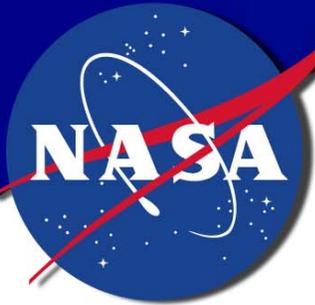
## Obsolete WIP & Materials

- Obsolete or “no longer required” items not identified on NF1018
- No current guidance
- Lack of Internal Controls



# Corrective Action: Obsolete WIP & Materials

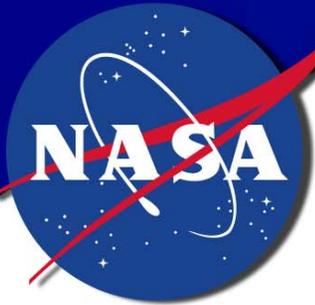
- Add definition and instructions in NFS
  - Obsolete or No Longer Required (i.e., old configuration)
  - No current plans for use in their intended purpose, but not excessed due to NASA instructions
- Add to Heritage and Items in Plant Clearance Column to the NF1018



# Causes of Material Weakness

## Materials vs. Equipment

- Useful life of two years or more
- Unit cost of \$100K or more
- Consumables
- Items for production of new assets (as opposed to spares)



# Corrective Action: Materials

## Non NF 1018 Changes:

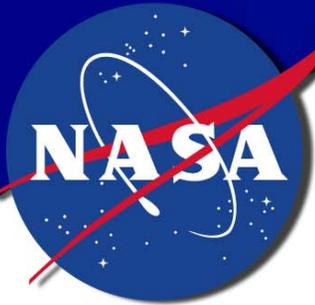
- Requested detailed data from contracts with large materials balances
- Study conducted by CPA firm
- Reclassify (for financial statements purposes only) materials with unit cost \$100K and over, as equipment and depreciate based on related asset useful life.



# **Corrective Action: Materials**

## **Strengthen Reporting:**

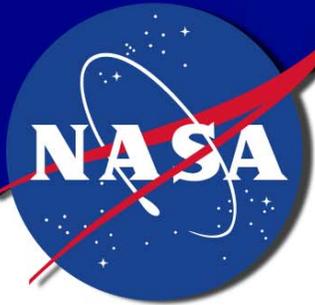
- Require “Snapshot” of Materials
- Separate Breakout for Materials with unit prices under \$100K vs. \$100K & over



# Causes of Material Weakness

## Lack of Internal Controls

- Lack of guidance to contractors in the NFS
- Lack of procedures at Contractor locations
- Lack of reviews by contractors, NASA, and DoD delegated property administrators



# Corrective Action: Internal Controls

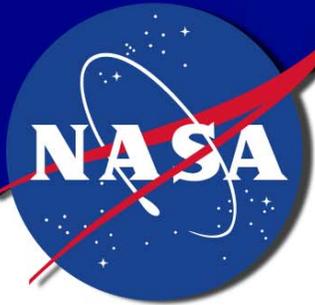
## Strengthen NF 1018 Reporting:

- Increase Guidance
  1. Work In Process
  2. Software (\$1M Threshold)
  3. Reporting of Government-Furnished Property
  4. Use of Estimates
  5. Idle/Obsolete Property
- Require Prompt Error Reporting
- Stress Prime is responsible for Validation of NF1018 Data, Including Subcontractor



# Corrective Action: Internal Controls

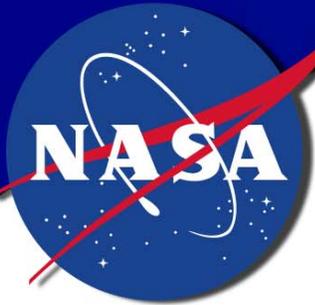
- Increase Reviews and Validations:
- NASA reviews of selected contractors capitalized property, materials, WIP & policies
- Increase Validation of Contractors NF1018s and Transfers
- Explore centralizing NF1018 processing, review & analysis



# Causes of Material Weakness

## **Inadequate Documentation:**

- DCAA Audit found items with no supporting or inadequate documentation
- Unsupported Estimates
- Incomplete transfer or delivery documents
  - Signatures
  - Dates
  - Values



# **Corrective Action: Inadequate Documentation**

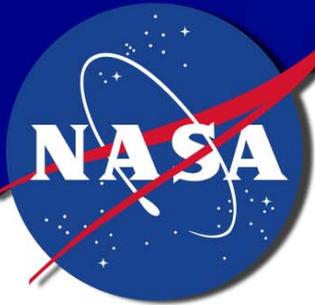
- Every value should be supported
- Dates, values & signatures required
- Send copies of Transfer & Delivery documents to NASA



# Corrective Action: Inadequate Documentation

## Estimates for Fabricated Property:

- Materials & GFE (Use Actuals)
- Labor
  - Rate (Use Actual, Forward-pricing or Composite)
  - Hours (Use Actuals or Estimates based on Actual Historical Data)
- Overhead, G&A, Fee, Transportation, etc. (Estimates acceptable, but must have basis)
- Periodically evaluate Model to ensure reasonableness
- **DOCUMENT BASIS!!!**



# Causes of Material Weakness

## Work In Process (WIP)

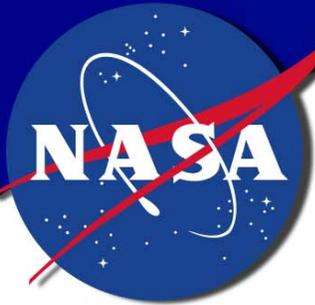
- Failure to Report
- Reporting Previously Delivered Items
- Inaccurate Valuation
- Inadequate Documentation
- Lack of Policies and Procedures
- Lack of Internal Controls



# **Corrective Action: Contractor-Held Property**

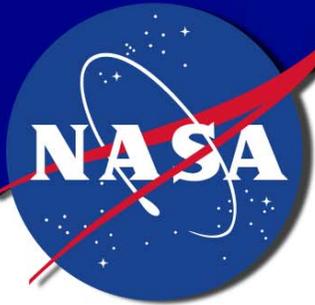
## **Strengthen Reporting:**

- Require “Snapshot” of WIP
  - Detailed description of WIP
  - WIP for Assets in Space and Components (except for ISS) under fabrication, no longer reported on NF1018



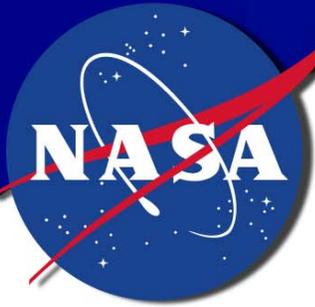
# Action Plan

- ✓ Determine which changes are necessary
  - Strengthening Guidance
  - Increasing/Decreasing Requirements
- ✓ Rewrite NF1018 form and related NASA FAR Supplement (NFS)
- ✓ Make any contractual changes
- Training
- Strengthen NASA reviews & validation



# Specific NF1018 Changes

- Due date is October 15, if quarterly reporting then due Nov. 30
- Obsolete Property Defined
- Software threshold is \$1,000,000
- Assets in Space WIP or completed but not launched (Except for ISS and Shuttle) not to be reported
- Properly Complete Transfer documents



# Specific NF1018 Changes

- Acquisition Costs must be developed using actual or supportable estimates.
- WIP shall include the same elements as the final item and developed using a supportable methodology
- Must have procedures to Validate Subs and Prime Data
- Notify NASA of error within 30 days.



# NASA Financial Management Contacts

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