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**INVESTMENTS**

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**CHAPTER 5****INVESTMENTS**0501 OVERVIEW

This chapter prescribes the accounting requirements for recording transactions in investment accounts and other asset accounts. Investments represent the value of securities with the U.S. Treasury.

0502 AUTHORITY AND REFERENCES

050201. Statement of Federal Financial Accounting Standard (SFFAS) No.1, Accounting for Selected Assets and Liabilities [[SFFAS 1](#)]

050202. Office of Management and Budget Circular No. A-11, Preparation, Submission and Execution of the Budget [[OMB Circular A-11](#)]

050203. United States Standard General Ledger, Trust Fund Accounting Guide [[USSGL](#)]

050204. Treasury Financial Manual (TFM) Volume 1 Part 2, Chapter 4300, Reporting Instructions for Accounts Invested in the Department of the Treasury Securities. [[TFM Volume, 1 Part 2, Chapter 4300](#)]

050205. 42 USC 2467a, National Aeronautics and Space Administration Endeavor Teacher Fellowship Trust Fund [[42 USC 2467a](#)]

050206. 42 USC 2467, Science, Space, and Technology Education Trust Fund; annual report to Congress [[42 USC 2467](#)]

0503 ROLES AND RESPONSIBILITIES

050301. NASA Headquarters.

A. The NASA Deputy Chief Financial Officer for Financial Management.

1. The Financial Reports Branch receives interest income via Treasury's Intra-governmental Payment and Collection (IPAC) System.

2. Interest income is earned from investments in Treasury (bonds) via FedInvest and is used to pay the Challenger Center \$250,00.00 each quarter.
3. Invests income earned and funds redeemed in U. S. Treasury securities.
4. Journal vouchers are prepared, approved and recorded on a quarterly basis for investments, and all amendments thereto.
5. Notifies the Budget Execution Branch of available resources to be issued to the RFO at GSFC to pay the Challenger Center.

B. The Budget Execution Branch prepares, approves and issues all resources authority warrants and subsequent revisions to the RFO (NASA Form 506).

050301. Regional Finance Office (RFO). The Regional Finance Office (GSFC) is responsible for making the payment to the Challenger Center.

0504 NASA TRUST FUNDS

050401. The Endeavor Teacher Fellowship Trust Fund. The Endeavor Teacher Fellowship Trust Fund (80X8550) was established by Congress (Public Law 105-197) and codified in 42 USC Section 2467a which states:

There is established in the Treasury of the United States, in tribute to the dedicated crew of the Space Shuttle Challenger, a trust fund to be known as the "National Aeronautics and Space Administration Endeavor Teacher Fellowship Trust Fund" (hereafter in this section referred to as the "Trust Fund"). The Trust Fund shall consist of gifts and donations accepted by the National Aeronautics and Space Administration pursuant to section 2476b of this title, as well as other amounts that may from time to time, at the discretion of the Administrator, be transferred from the National Aeronautics and Space Administration Gifts and Donations Trust Fund. The Administrator shall direct the Secretary of the Treasury to invest and reinvest funds in the Trust Fund in public debt securities with maturities suitable for the needs of the Trust fund, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities. Interest earned shall be credited to the Trust Fund. Income accruing from the Trust Fund principal shall be used to create the National Aeronautics and Space Administration Endeavor Teacher Fellowship Program, to the extent provided in advance in appropriation Acts. The Administrator is authorized to use such funds to award fellowships to selected United States nationals who are undergraduate students pursuing a course of study leading to certified teaching degrees in elementary education or in secondary

education in mathematics, science, or technology disciplines. Awards shall be made pursuant to standards established for the fellowship program by the Administrator.

050402. Science, Space, and Technology Education Trust Fund. The Science, Space, and Technology Education Trust Fund (80X8978) was established by Congress and is codified in Title 42 United States Code Sec. 2467. That section states:

“There is appropriated, by transfer from funds appropriated in this Act for "Construction of Facilities", the sum of \$15,000,000 to the "Science, Space, and Technology Education Trust Fund" which is hereby established in the Treasury of the United States: Provided, That the Secretary shall invest such funds in the United States Treasury special issue securities, that such interest shall be credited to the Trust Fund on a quarterly basis, and that such interest shall be available for the purpose of making grants for programs directed at improving science, space, and technology education in the United States: Provided further, That the Administrator of the National Aeronautics and Space Administration, after consultation with the Director of the National Science Foundation, shall review applications made for such grants and determine the distribution of such available funds on a competitive basis: Provided further, that such grants shall be made available to any awardee only to the extent that said awardee provides matching funds from non-Federal sources to carry out the program for which grants from this Trust Fund are made: Provided further, that of the funds made available by this Trust Fund, \$250,000 shall be disbursed each calendar quarter hereafter to the Challenger Center for Space Science Education: Provided further, that the Administrator of the National Aeronautics and Space Administration shall submit to the Congress an annual report on the grants made pursuant to this paragraph.”

#### 0505 POLICIES AND PROCEDURES

050501. NASA's investments consist of intragovernmental marketable securities (long term bonds and T-bills) issued by the Bureau of Public Debt and held by the US Department of Treasury (Treasury), as is dictated below. Long-term bonds mature in approximate 20 years; T-bill mature in approximate 1-6 months.

050502. NASA records all accounting transactions in its integrated accounting system, IFMP/ SAP. Investments are recorded at their Principle Value. The interest method (i.e., effective interest rate multiplied by the carrying amount) is used to amortize the premium or discount over the life of the security.

050503. Journal entries are prepared, approved, and recorded by the Financial Reports Branch on a quarterly basis. The general ledger account entries that

are generated by each related accounting transaction could be viewed at: [[Treasury Financial Management Service General Ledger Web Site](#)]

050504. Interest is received twice a year on Challenger long-term bonds (in February and August). The interest is invested in T-bills maturing to yield the \$250,000 quarterly payment to the Challenger Center. The residual funding is invested in a similar long-term bond. Likewise, interest and proceeds at maturity on Endeavor T-bills are reinvested in similar 6 month T-bills. NASA receives funds via the Intragovernmental Payments and Collections (IPAC) system. The receipt of these funds is also verified on "Transaction Confirmation" forms obtained on the Treasury's website. Included on these confirmations are the type of securities purchased (maturity date, CUSIP and price) and amount IPAC'd. Upon receipt of funds, the Financial Reports Branch prepares a "Request for Investment/Redemption" form and faxes it to the Treasury. This form instructs the Treasury to purchase securities for the Endeavor or Challenger trust funds and conveys to Treasury the amount available for investment and the particular investment that should be purchased. The funds are IPAC'd by Treasury in order to finance the purchase.

#### 0506 INVESTMENTS

050601. The Endeavor Teacher Fellowship Trust Fund (Endeavor T-bills 80X8550).

A. Interest. The original funding (from the Gifts and Donations Fund) provided in the trust fund is not available for obligation. The trust fund balance was invested in a security (bill) that matures semi-annually on the 3rd Thursday in March and September of every year. The interest is available for obligation. No interest has been obligated to date.

B. Discount. The discount on the bond is amortized and the interest receivable is accrued quarterly. The accrual of interest receivable is reversed the following month. The Agency CFO Office maintains amortization schedules and determines the amortization and accrual amounts. The Effective Interest Method is used to determine the present value of the bonds.

C. Transaction Reporting. All cash transactions related to investments, interest received, or securities redeemed are reported to Treasury via the Statement of Transactions (FMS-224) by the Agency CFO Office. The Financial Reports Branch performs a quarterly reconciliation with Treasury and reports in the Intragovernmental Fiduciary Confirmation System (IFCS).

D. Redemption of Bill (March or September). Treasury initiates Intragovernmental Payment and Collection (IPAC) System transactions when interest is received from Treasury. NASA then re-invests the amount redeemed via FedInvest.

FedInvest is an Internet based Treasury application that allows the user to view transactions and buy securities. The short-term (six month) Treasury Bill is purchased in March (to mature in September) and September (to mature in March). Treasury provides confirmation of the amount redeemed and the investment in FedInvest which is used for the reconciliations.

050602. The Science, Space, and Technology Education Trust Fund (Challenger bonds and T-bills 80X8978).

A. Interest. The original funding (formally Construction of Facilities) that was provided in the trust fund is not available for obligation. The trust fund balance was invested in a security (bond) that yields interest semi-annually on February 15 and August 15 of every year through the year 2019. The interest is available for obligation and the interest income is used to provide funding to the Challenger Center for Space Science Education. NASA has an agreement to provide \$250,000 to the Challenger Center on a quarterly basis. Therefore, NASA invests the interest earned from the initial bond in T-bills that mature to provide \$250,000 on the 3rd Thursday in the last month of the quarter. Any additional interest that is earned and not needed for the quarterly funding of the Challenger Center is re-invested in a bond. When this funding is received by the Agency, the budget office provides resources to Goddard's Regional Finance Office (RFO) (Business Area 10) so that they can make the payment to the Challenger Center.

B. Premium. The premium from the originally funded bond is amortized semi-annually when interest is earned and interest receivable is accrued quarterly. The accrual of interest receivable is reversed in the following month. The amortization and accrual amounts are determined by maintaining amortization schedules that is done by the Office of the Chief Financial Officer. The Effective Interest Method is used to determine the present value of the Bonds.

C. Transaction Reporting. All cash transactions related to the investments, interest received, or securities redeemed are reported to Treasury via the Statement of Transactions (FMS-224) by the Office of the Chief Financial Officer. A quarterly reconciliation is performed with Treasury and reported in the Intragovernmental Fiduciary Confirmation System (IFCS) by Office of the Chief Financial Officer.

D. Receipt and Investment of Interest (February 15 or August 15). Treasury initiates Intragovernmental Payment and Collection (IPAC) System transactions when interest is received from Treasury. NASA then re-invests the interest received via FedInvest. FedInvest is an Internet based Treasury application that allows the user to view transactions and buy securities. Investments are made to redeem \$250,000 for each of the quarters that makeup the semi-annual payments. The investment made on February 15 provides funding for the March and June payments to the Challenger Center and the investment made on August 15 provides funding for the September and December payments to the Challenger Center. The remaining funds are invested on the

following day (February 16 or August 16) in a bond to mature in the year 2019. The interest accrued on this bond will be received with that accrued on the other bonds and used to invest in short term bills in the future. Treasury provides confirmation of the interest received and the investment in FedInvest which is used for the reconciliation performed by Code BFB.

050603. General Ledger Accounts. The following general ledger accounts are used to record the effects of investment transactions.

A. Interest Receivable - (Account 1340). Amounts of accrued interest charges on accounts and loans receivable. This includes interest accrued on investment securities.

B. Investments in U.S. Treasury Securities Issued by the Bureau of the Public Debt - (Account 1610). The par value of U.S. Treasury securities issued by the Bureau of the Public Debt. This includes marketable Treasury securities, non-marketable Treasury securities, and market-based Treasury securities.

C. Discount on U.S. Treasury Securities Issued by the Bureau of the Public Debt - (Account 1611). This account represents the full discount on U.S. Treasury securities issued by the Bureau of the Public Debt and held by NASA.

D. Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt - (Account 1612). This account represents the full premium on U.S. Treasury securities issued by the Bureau of the Public Debt and held by NASA.

E. Amortization of Discount and Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt - (Account 1613). The amortization amount of discounts and premiums on U.S. Treasury securities issued by the Bureau of the Public Debt and held by NASA.

F. Interest Revenue - Investments - (Account 5311). Interest revenue earned from investments.

G. Pro Forma Transactions List for Federal Securities. The pro forma general ledger transactions in the core financial module for Federal securities are available on the Online Quick Reference web site. [[Federal Securities Pro Forma Entries](#)]

050604. Reconciliation Process for Investments.

A. The Challenger Center for Space Science Education (the recipient of the required disbursement) has an annual independent audit of its financial statements and the results of the audit are provided to NASA.

B. Treasury's Bureau of Public Debt performs a quarterly reconciliation between their records of the investments and NASA's records of the investments. On a quarterly basis, NASA receives a confirmation of investment balance prepared by Treasury ("U.S. Department of Treasury, Bureau of Public Debt Confirmation of Intragovernmental Investment Account Balances"). A Staff Accountant reconciles this confirmation to the general ledger on a quarterly basis. [[FedInvest](#)]

C. Each month there is an investment transaction (i.e., security purchase or matured investment), Form T6654, "Undisbursed Appropriations Account Trial Balance," prepared by the Treasury, is reconciled to the general ledger by a Staff Accountant. In this process, the "Current Year Appropriation" amount appearing on Form T6654 and the journal vouchers are reconciled to NASA's GL balance (see SF 224).

D. The Treasury performs an analysis between the Agency FACT I transmission and the Treasury Intergovernmental Fiduciary Confirmation System. An example of the analysis performed for the FY 2003 is found at the following web site [[Fiduciary IFCS FACTS Comparison Report](#)].

E. Periodic Monitoring Controls Performed by Centers. This document details the procedures for periodic review of financial activities. Specifically, Section 1.4 Review Direct, Reimbursable and Trust Funds for Invalid Postings. [[NASA Financial Management Manual](#)]

## 0507 REPORTING REQUIREMENTS

050701. Statement of Transaction (SF 224). The Statement of Transaction (SF 224) is an application of the Government On-Line Accounting Link System II (GOALS II). Treasury requires all agencies to submit a monthly Statement of Transactions (SF-224). NASA uses the SF-224 "report form" to report monthly collections and disbursements that have been recorded to Treasury via Treasury's internet-based system called Government On-Line Accounting Link System II (GOALS II). After transmitting the SF-224 to Treasury, Treasury posts the transactions and provides NASA with an updated record of NASA's Fund Balance with Treasury accounts on the aforementioned Undisbursed and Receipt Account Reports (FMS 6653 – 6655). The Undisbursed and Receipt Account Reports (FMS 6653 – 6655) from Treasury will include any appropriation warrants and non-expenditure transfer activity applicable to the reporting month. [[Treasury Goals II SF-224 Reporting](#)] [[Treasury SF-224 Reporting Requirements](#)]

050702. Agency Reporting Requirements for the Financial Report of the United States Government. This reporting requirement describes how agencies provide data for the Financial Report of the United States (FR) using the Government-wide Financial Report System (GFRS) and the Federal Agencies' Centralized Trial-Balance System (FACTS I). It also includes the Financial Management Service's (FMS') fiscal

2004 Closing Package methodology, the Federal intragovernmental transactions process, and requirements for electronically submitting pre-closing adjusted trial-balance(s) (ATBs). [[Agency Reporting Requirements for the Financial Report of the United States Government](#)]

050703. Federal Agencies' Centralized Trial-Balance System (FACTS II). FACTS II is NASA's submission of the budgetary general ledger accounts. [[FACTS II](#)]

050704. Closing Package for Fiscal 2004 Reporting. Treasury Financial Management Service developed the closing package methodology to resolve material deficiencies identified by the General Accounting Office. All agencies must reclassify all line items and amounts on their comparative audited, consolidated, departmental level Balance Sheet, Statement of Net Cost and Statement of Changes in Net Position to the closing package financial statement formats. NASA must report footnotes, disclose all other information not contained in the primary Financial Statements and footnotes required to meet General Accepted Account Principles and submit NASA adjusted trial balances via FACTS I. [[Crosswalks to the Closing Package](#)]

050705. Form and Content of Agency Financial Statements. NASA must comply with this OMB bulletin that dictates the required elements for all federal agencies financial statements, footnotes, required supplementary information and required stewardship supplementary information. [[OMB Bulletin No. 01-09](#)]