CHAPTER 1

APPENDIX 6
NASA WORKING CAPITAL FUND END-TO-END REQUIREMENTS

A. GENERAL

1. Background

a. The National Aeronautics and Space Administration (NASA) received Congressional approval on February 20, 2003 with enactment of the fiscal year (FY) 2003 appropriations act (P.L. 108-7), to implement a NASA Working Capital Fund (WCF). On September 17, 2003, the Department of Treasury established account 80X4546 for the Fund. This new WCF will include selected agency-wide reimbursable/administrative operations and functions that produce products or provide services on a recurring basis. The NASA WCF will change the way that NASA does business and will make some of the reimbursable and administrative programs adopt more private-sector business methods. Specifically, the NASA WCF will provide a buyer/seller relationship on a business-like basis with fully reimbursed rates and no fiscal year limitations that will focus on streamlining operations, extending resources, measuring performance and improving customer satisfaction. This initiative will also build upon the "Full Cost" initiative, which is currently being implemented throughout NASA.

b. Establishment of the NASA WCF is a financial management strategy that supports NASA's implementing strategy for financial management. Applying the WCF concept will provide a structure to encourage conservation of resources, cost awareness, and operational efficiency. This strategy also provides a framework that reinforces NASA's commitment to improving our procedures for financial planning, reporting, and management.

2. Purpose. The purpose of this document is to provide high-level requirements of the WCF End-to-End processes. The processes will include requirements for both the NASA WCF and the NASA WCF Customers. Sections will be categorized as Budget Formulation, Budget Presentations, Internal NASA Customer and Provider Assurance Requirement, Transfer of Balance Sheet Items, Budget Execution and Financial Reporting. A further break out of details in the NASA WCF budget execution section will provide customers' funding tracking, as well as, operations to fulfill customers' needs.

B. NASA WCF REQUIREMENTS

1. Externally Mandated Minimum Budget Preparation Requirements for the Office of Management and Budget (OMB) and Congress.

a. Budget Formulation

1. Budget submission to the OMB will occur in the fall. Requirements are as follows: (1) provide a narrative description of the NASA WCF programs and functions; (2) provide Program and Financing statement by prior year (PY), current year

(CY), and budget year (BY); (3) provide an object classification exhibit (cost of operations by element of expense) by PY, CY, and BY; and (4) provide assigned civilian full-time equivalents (FTE) by PY, CY, and BY

2. Budget formulation for the fall (i.e., 2004) submission of the Fiscal Year (FY) (i.e., 2006) budget to OMB, reference OMB Circular A-11, "Preparation, Submission and Execution of the Budget" states that "the respective Agency (i.e., NASA) must reach agreement with our OMB representative on the form and specific content of the budget submission in the spring and summer preceding the budget submission."

b. Budget Presentation. Budget submission to Congress will occur in February; data will be used for the Budget Appendix of the United States Government. There are two types of budgets submitted, (1) Operating Budget, and (2) Capital Budget. The operating budget and the capital budget are used to prepare a Rate Development Submission.

c. Operating Budget. The WCF Operating Budget Submission consists of three exhibits. Submit items 1 through 4 as identified in section 020201, paragraph A.1. above to reflect OMB adjustments and revisions to the NASA WCF cost of operations and number of assigned civilian FTEs. The WCF Operating Budget Exhibit 1, "Civil Service Personnel Costs" classifies personnel as to the pay schedule from which they are paid and categorizes the components of total compensation for each pay schedule. The WCF Operating Budget Exhibit 2, "WCF Obligations and Costs" shows components resulting in the actual and projected unobligated balance by fiscal year, classifies actual and projected obligations by object class and fiscal year, and lists actual and projected costs by fiscal year. The WCF Operating Budget Exhibit 3, "WCF Source of New Orders and Revenue" identifies sources of orders by NASA appropriation and by federal and non-federal agency, estimates revenue to be recognized by fiscal year and estimates orders to be carried forward to a subsequent fiscal year. See Volume 4 of this Regulation for details regarding budget exhibits.

d. Capital Budget. The WCF Capital Budget Submission consists of three exhibits. The WCF Capital Budget Exhibit 1, "Capital Asset Financing" lists proposed asset acquisitions in order of their need priority, shows total cost for proposed assets and, of that total cost, how much should be financed through depreciation recovery and how much through a rate surcharge. The WCF Capital Budget Exhibit 2, "Capital Asset Program Reprogramming Request" shows changes to an approved capital budget that occur through additions, substitutions, cancellations, postponements, and price changes. Some of those changes require prior NASA Chief Financial Officer (CFO) notification and approval. The exhibit should list the instances in which prior approval is required. The WCF Capital Budget Exhibit 3, "Asset Justification and Economic Analysis" provides an explanation of the proposed asset and its function because an asset justification is required for each asset proposed for acquisition.

e. Rate Development Submission. The WCF Rate Development Submission consists of three exhibits. The WCF Rate Development Exhibit 1, "Product Price Changes" lists the basis on which goods or services are priced, shows any goods or services price fluctuations between fiscal years and provides an explanation for any goods or services price changes. The WCF Price/Rate Development Exhibit 2, "Rate Computations by Goods or Services" is a

worksheet through which a customer price/ rate by goods or services is developed. The WCF Rate Development Exhibit 3, "Distribution of Costs to WCF goods or services" classifies budgeted costs by object class and, through an allocation of those costs to goods or services, and develops a total cost per goods or services.

2. Internal NASA Customer and Provider Assurance Requirement

a. Budget Formulation. WCF operating budget must be provided to NASA customers to ensure/verify that the WCF's forecasted orders are reflected in the customer's budget.

b. Transfer of Unexpended Balances

1. The amount of unexpended funds transferred shall provide enough capital to pay expenses until sufficient revenue is generated. This amount shall equal the cash necessary to pay for operating costs until the first advance is received. If sufficient funds are advanced to the WCF business entities, then there shall be no transfer of unexpended balances. The following conditions shall apply if any unexpended balances need to be transferred:

a. Condition 1, Appropriation Applicability. Only balances of appropriations provided for the same purposes as the purposes of the NASA WCF may be transferred.

b. Condition 2, Appropriation Availability. The transferring appropriation may not transfer expired or canceled appropriation balances. However, unobligated balances that are available for new obligations may be transferred to the NASA WCF.

2. In accordance with the NASA FY 2003 appropriation language, "Amounts in the fund are available without regard to fiscal year limitation." Obligated balances of the transferor appropriation for services/equipment to be delivered and used by the WCF should be de-obligated from the transferor appropriation, the de-obligated funds then transferred to the NASA WCF and the services/equipment re-obligated within the WCF. The activity needs to ensure that its budgetary resources remain positive in order to avoid an Anti-Deficiency Act violation.

c. Transfers of Inventory and Property. The NASA FY 2003 appropriation language states, "The capital of the fund consists of … the reasonable value of stocks of supplies, equipment, and other assets and inventories on order that the Administrator transfers to the fund…" Any transferred capital equipment will be valued at book value (original cost less accumulated depreciation). Inventories will be valued at original cost.

d. Transfer of Accrued Annual Leave

1. The annual leave within a WCF differs from that of an appropriated fund. In an appropriated fund, the accrual of annual leave is unfunded. However,

as required by the NASA WCF appropriation language, the accrual of annual leave within the NASA WCF is funded. Therefore, personnel assigned from an appropriated fund activity to a WCF business entity are accompanied by a liability for the amount of accrued earnings and annual and sick leave earned by those employees prior to their transfer.

2. Ordinarily, payment in the form of cash or other agreed upon equivalent assets such as operating materials and supplies or equipment should be made to the receiving WCF business entity for the amount of the liabilities assumed. However, in some cases, a full payment for liabilities of transferred personnel may not be received. In these cases, the earned leave liability transferred into the fund will be amortized and charged as a WCF operating expense. The amortization period will be determined based on careful consideration of the WCF needs to pay liabilities for retirements and/or other employee terminations balanced against the effect on rates charged to WCF customers.

e. Budget Execution (Cash Management)

1. The cash management minimum requirement is to maintain a cash balance necessary for meeting both operational and disbursement needs, as well as, for the support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate cash is dependent on setting rates to recover full costs to include prior year losses; accurately projecting workload; and meeting established operational goals. The Agency's FY 2003 appropriation language provides that "...The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operations..." Accordingly, the WCF business entities shall be advanced funds identified in WCF customer orders during the fiscal year, as required, to support the cost of operation. Therefore, after receiving and recording authority in the WCF to receive/accept customer's orders, the first requirement is to request advances from WCF customers' for anticipated orders.

2. If the WCF receives the customer's advance before the customer order is received then, the customer's advance must be recorded in the United States Standard General Ledger (USSGL) as a suspense item to the 80F series of treasury symbols. However, if the receipt of orders is received before the customer's advance is received then, record the receipt of orders in SGL as an Unfilled Customer Order - Without Advance. When the customer's advance is received, the WCF will record the receipt of the advance from others in SGL as an Unfilled Customer Order - With Advance. At this stage, cash is available to fill the customer orders, to pay for operations and, as appropriate, to reserve funds for the purchase of capital assets.

3. Funds shall be reserved through establishment of "Cumulative Results of Operations" sub-accounts whose purpose is to restrict the distribution of gains to customers. The "Cumulative Results of Operations" sub-accounts are (1) Retained Earnings for Corpus Requirements, (2) Retained Earnings for Leave Accruals, and (3) Retained Earnings for Capital Asset Acquisitions. The purpose of "Retained Earnings for Corpus Requirements" sub-account is to maintain at least 30 days of operational cost plus cash adequate to meet six months of capital disbursements. Cash levels will be calculated using the following formula: Total

operating budget disbursements for a fiscal year divided by either 260 or 261 available workdays in a fiscal year multiplied by the number of days cash desired.

4. The purpose of "Retained Earnings for Leave Accruals" sub-account is to reserve funds for the earned leave liability transferred into the fund. The balance in the Retained Earnings for Leave Accruals sub-account is established through amortization of WCF leave liabilities as a WCF operating expense.

5. The purpose of the "Retained Earnings for Capital Asset Acquisitions" sub-account is to accumulate funds for the acquisition of approved capital asset purchases.

6. Once all reservations for cost pool and General and Administrative (G&A) are established, cash is now available to fill customers' orders and start the procurement process. The first requirement to fill the customer order is to process a purchase request and record a commitment in the SGL for WCF operations. The second requirement to fill the customer order is to process a purchase order and record an obligation in the SGL for WCF operations. The third requirement is to record cost/expenses in the SGL to recognize incurred direct/indirect expended authority unpaid to fill customers' orders. The next requirement is to record the charges received from the cost pools and G&A monthly assessment. The final requirement to fill the customer's order is to record disbursements in the SGL to liquidate the expended authority unpaid. In addition, WCF business entities will provide a cash flow statement for the upcoming quarter that identifies the beginning balance, expected cash receipts, expected cash disbursements, cash transfers, and the expected ending balance to NASA Headquarters.

7. Monthly, regardless of whether a customer order is partially or fully completed, the WCF project business entity manager will provide notification to Financial Management of the earnings that are to be realized that month. Based on the notification the first requirement is to recognize earned revenue. Earned revenue is recognized by recording revenue and liquidating the advance from others in the SGL for orders partially or fully completed. Final requirement is to provide a status billing to customers for orders partially or fully completed.

f. Financial Reporting Requirements. Each NASA WCF business entity shall produce monthly and quarterly financial and management reports.

1. The first required monthly report should identify cash, budget authority, revenue, expended authority and net operating results. The second required monthly report should provide planned versus actual revenue and expense and deltas.

2. All quarterly managerial reports are for external use. Required reports submitted to OMB are the SF 132, "Apportionment and Reapportionment Schedule;" the SF 133, "Report on Budget Execution and Budgetary Resources" (see OMB Circular A-11 for format guidelines); the CFO mandated exhibits per OMB Bulletin 01-09 "Form and Content of Agency Financial Statements; " Federal Agencies' Centralized Trial-Balance System (FACTS) I and FACTS II. The required report submitted to Treasury is the "Receivables Due from the

Public." This report is required when non-government receivables are recorded to reflect WCF overpayments to vendors.

C. END-TO-END REQUIREMENTS FOR A NASA CUSTOMER USING A WCF

1. Budget Formulation

a. Determine Services/Goods Required From WCF. The NASA customers of the NASA WCF must provide anticipated volume of goods and services needed to meet program/project schedules. The first requirement to provide anticipated volume of goods and services is to obtain the WCF rates/prices for goods/service required during the next year. The second requirement to provide anticipated volume of goods and services is to identify volume/level of goods/services to be provided by the WCF business entity based on the project schedule and forecasted funding available.

b. Load Funding Amount Required in BF Module. The NASA customers of the NASA WCF will use the normal Program Operating Plan process to load the amount required to pay for goods/services provided through the WCF. The customer will use the normal procurement process to order goods and services from the WCF as if ordering from an outside or government vendor.

c. Internal NASA Customer and Provider Assurance Requirement. The customer must review the WCF forecasted operating budget, loaded in the BF module, to ensure that the customer's funds for the forecasted orders, loaded in the BF module, are reflected in the WCF operating budget. In addition, the customer should review for changes in the rates/prices and the estimated quantities of goods/services to be filled during next year by the WCF.

2. Budget Execution

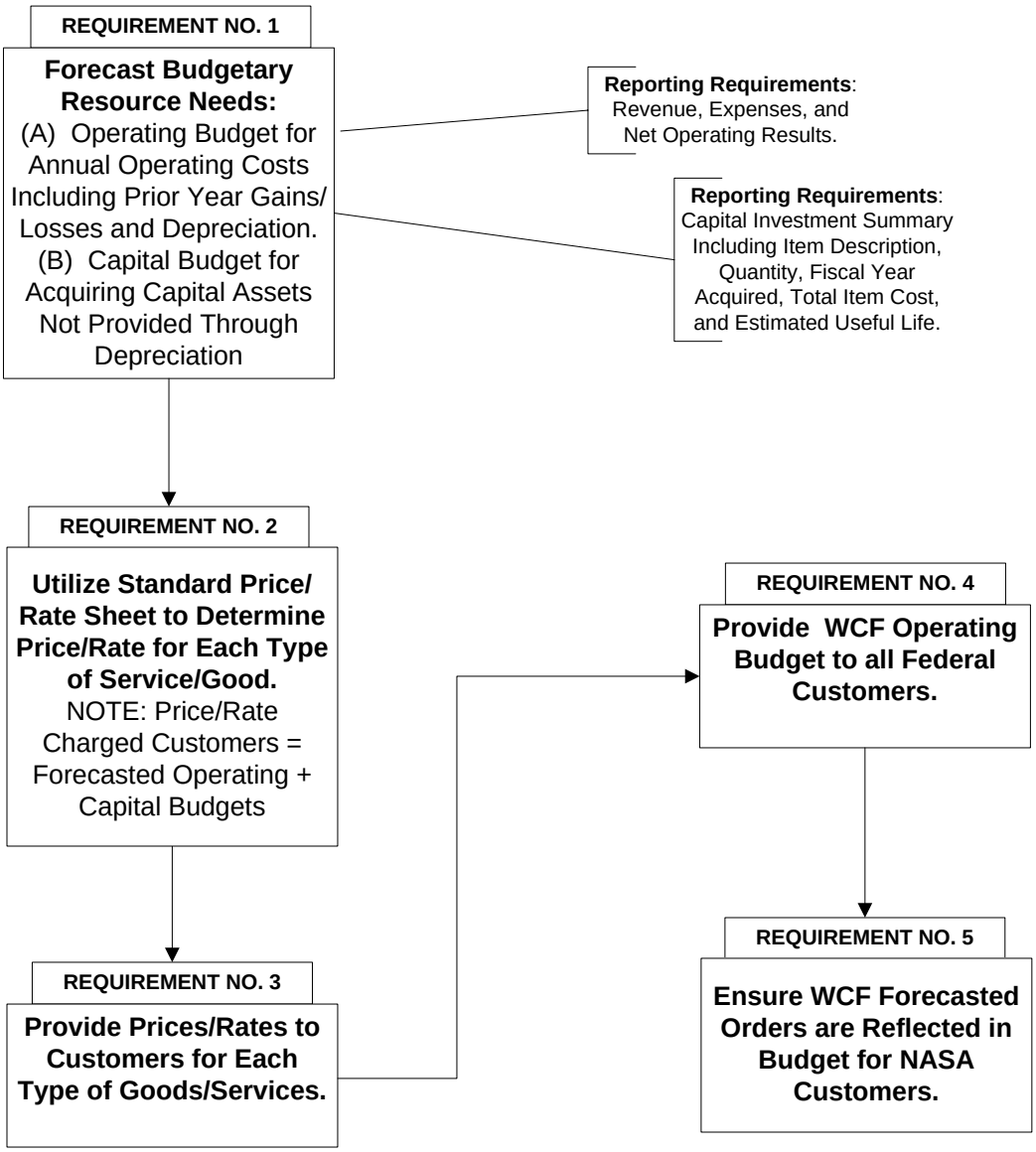
a. Ordering Goods/Services from WCF. Once all projects' funds/authority to obligate has been received, recorded and the project's authority has been transferred to meet the projects' service pools and general and administrative requirements, funds are now available to order from the WCF and start the procurement process. The first requirement to order goods/services from the WCF is to process a purchase request and record a commitment in the standard general ledger (SGL). The second requirement to order goods/services from the WCF is to process a purchase order and record an obligation-unpaid in the SGL.

b. Receipt/Acceptance of Ordered Goods/Services. Once an order is received/accepted at the WCF, the WCF will request an advance. The third requirement is to send an advance to the WCF and record an obligation-paid in the SGL. If the ordering of goods/services from the WCF is between centers then, send the advance to the WCF via Intra-Governmental Payment and Collection. The final step of the process and requirement to order goods/services from the WCF is to recognize the cost/expense in the SGL. The cost/expense is recognized when the customers receive a status billing from the WCF for orders partially or fully completed for the customers.

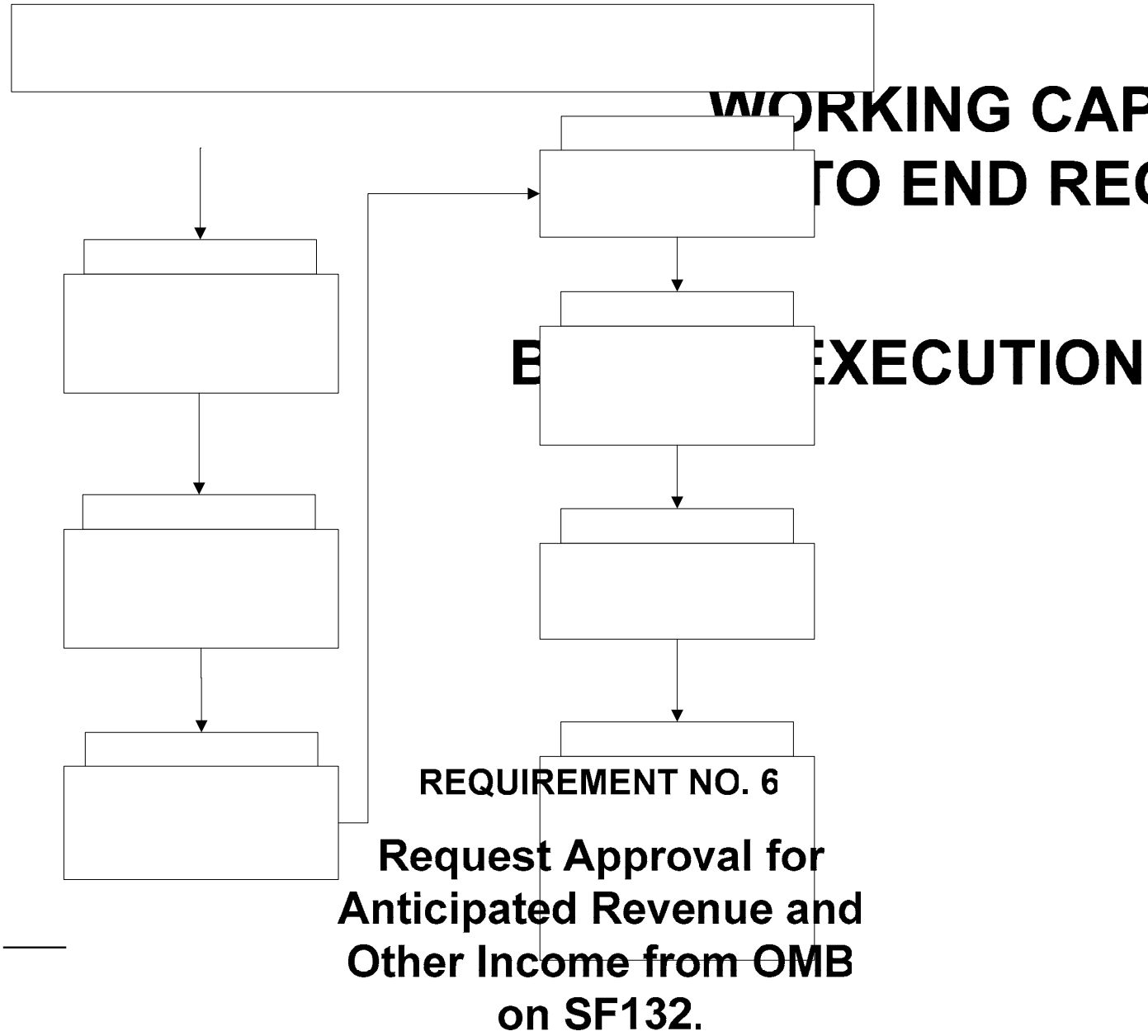
D. WCF END-TO-END PROCESS FLOW DIAGRAMS

WORKING CAPITAL FUND
END TO END REQUIREMENTS

BUDGET FORMULATION REQUIREMENTS



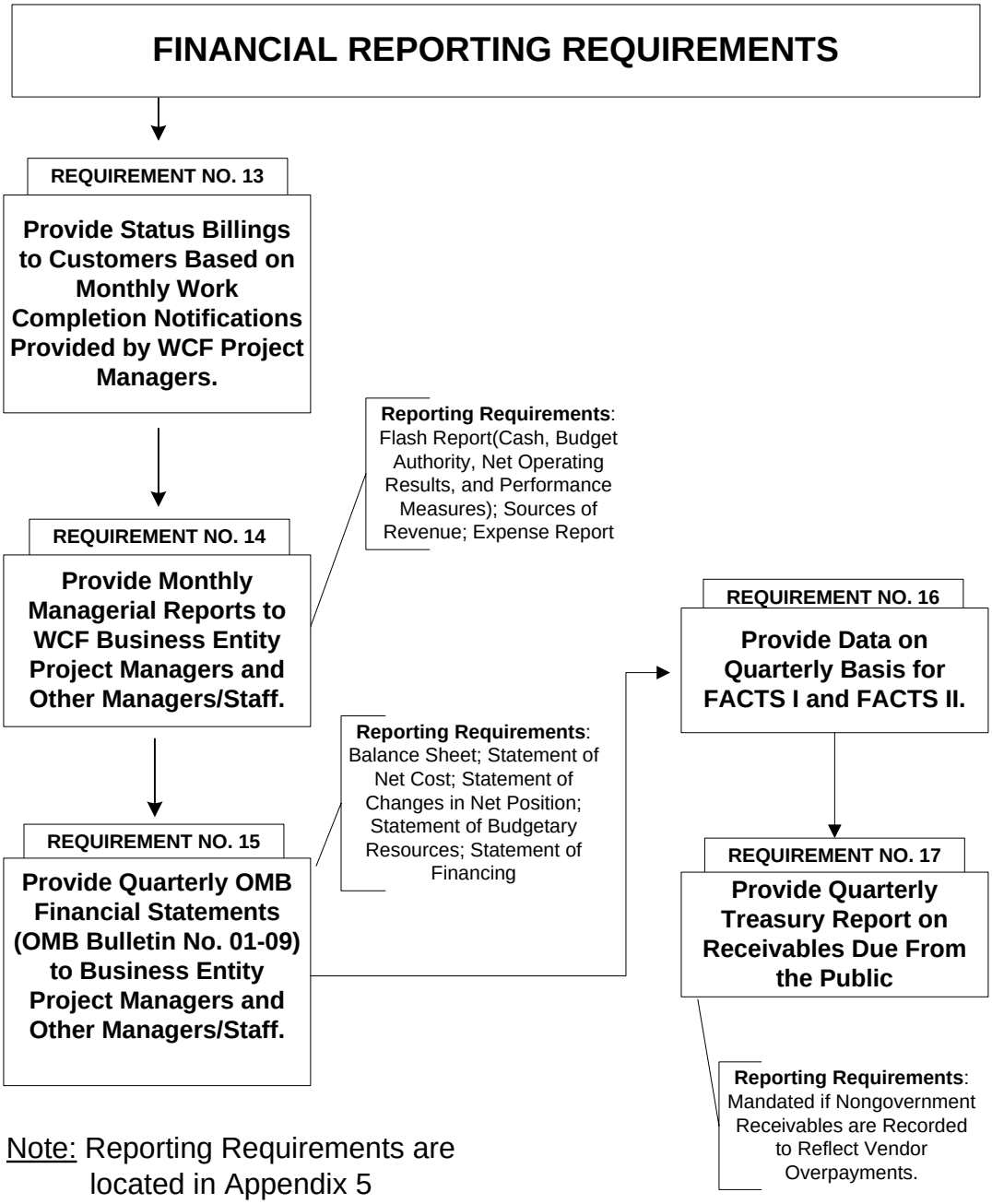
Note: Reporting Requirements are located in Appendix 5



REQUIREMENT NO. 7

Record Approved SF132, Anticipated Reimbursements, in

WORKING CAPITAL FUND
END TO END REQUIREMENTS



Note: Reporting Requirements are located in Appendix 5

END TO END PROCESS REQUIREMENTS FOR A NASA CUSTOMER USING WORKING CAPITAL FUND

BUDGET FORMULATION REQUIREMENTS

REQUIREMENT NO. 1

Determine services required from WCF.

REQUIREMENT NO. 2

Determine the Amount Needed to Pay for Services Required From WCF Based on the Rate for Service(s) Provided by WCF and the Anticipated Volume Needed from WCF.

REQUIREMENT NO. 3

Load the Amount Required to Pay for Services Required from WCF into Budget Formulation.

REQUIREMENT NO. 4

Review WCF Forecasted Operating Budget and Review to Ensure Amount Loaded in Budget Formulation for WCF Requirements are Reflected in WCF Operating Budget.

END TO END PROCESS REQUIREMENTS FOR A NASA CUSTOMER USING WORKING CAPITAL FUND

BUDGET EXECUTION REQUIREMENTS

REQUIREMENT NO. 5

Reserve Funds by Recording a Funds Commitment for Forecasted WCF Requirements.

REQUIREMENT NO. 6

Send Request for Services to WCF and Record Funds Obligation Against Committed Budget for WCF Services.

REQUIREMENT NO. 7

Send Advance to WCF via IPAC and Record Paid Obligation Against the Obligated Budget for WCF Services.

REQUIREMENT NO. 8

Receive WCF Status Billing Based on Partially or Completed Customer Orders Filled and Record Cost Against the Paid Obligated Budget for WCF Services Received.