

VOLUME 6 ACCOUNTING

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CHAPTER 1**GENERAL OVERVIEW**0101 **GENERAL**

010101. **Purpose.** This volume sets forth accounting policy and standard procedures that shall be followed by all NASA Mission Directorates, Mission Support Offices, and Centers. This guidance is to ensure that NASA's financial information is, useful, timely, complete, accurate, and consistently presented.

010102. NASA's accounting policies and procedures are based on principles and standards that support its financial management objectives. These objectives, principles, and standards are in the following sections of this Chapter.

0102 **ACCOUNTING OBJECTIVES**

The primary objectives of NASA's accounting and financial management processes are to provide accurate and timely information to the public, the Congress, the President, and NASA management on NASA's;

010201. **Budgetary Integrity.** NASA's financial reporting must assist in fulfilling its duty to be publicly accountable for funds used in accordance with the appropriations laws that establish the NASA budget for a particular fiscal year as well as the related laws and regulations. NASA financial reporting should provide information that helps the reader to determine:

A. How NASA's budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization.

B. The status of NASA's budgetary resources.

C. How information on NASA's use of budgetary resources relates to information on the costs of NASA program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.

010202. **Operating Performance.** NASA financial reporting must assist report users in evaluating NASA's performance, including the full costs of Programs and Projects, program efforts and accomplishments during the reporting period; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities. NASA's financial reporting must provide information that helps the reader to determine:

A. The full costs of NASA programs, projects and activities and the composition of, and changes in, these costs.

B. The efforts, planned projections, and accomplishments associated with NASA programs and the changes over time and in relation to costs.

C. The efficiency and effectiveness of NASA's management of its assets and liabilities.

010203. **Stewardship.** NASA's accounting and financial reporting must assist report users in assessing the impact of NASA's operations and investments for the period and how, as a result, the NASA's financial condition has changed and may change in the future. NASA's accounting and financial reporting must also address the status of NASA's assets including its' property, plant, and equipment.

010204. **Systems and Control.** NASA's accounting and financial reporting must assist report users in understanding whether NASA's financial management systems, accounting processes, and administrative controls are adequate to ensure that:

A. Transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with federal accounting standards.

B. Assets are properly safeguarded to deter fraud, waste, and abuse.

C. Performance measurement information is adequately supported.

0103 **PRINCIPLES**

010301. The following principles shall govern the collection and reporting of NASA accounting and financial management information.

A. **Usefulness.** Financial management data shall be gathered and processed to meet specific internal management needs or external requirements. Reports shall be tailored to specific user.

B. **Timeliness.** Accounting and financial management data shall be recorded as soon as practicable after the occurrence of the event, and shall be made available to managers as quickly as possible. Final, corrected data shall be available in time to meet external reporting requirements.

C. **Reliability and Completeness.** Accounting and financial management information shall be complete and accurate, shall be verifiable and ordinarily be drawn from the official records and systems, and shall meet the needs of management and external requirements.

D. Comparability and Completeness. Accounting and financial management data shall be recorded and reported in the same manner throughout NASA, using uniform definitions. Accounting and financial reporting shall provide management the ability to compare actual expenditures and costs with the budgeted amounts. Consistency over time shall be maintained.

0104 ACCOUNTING STANDARDS

010401. To comply with the “Chief Financial Officers (CFO) Act” of 1990, as amended, federal financial managers, accountants and auditors must consistently apply the Federal Financial Accounting Concepts and Standards. These concepts and standards have evolved from recommendations of the Federal Accounting Standards Advisory Board (FASAB). When the Board’s principals (OMB, Treasury, and GAO) adopt the Board’s recommendations, they are published as Statements of Federal Financial Accounting Standards. These Statements of Federal Financial Accounting Standards are the body of standards that are considered, in effect, federal generally accepted accounting principles, or Federal GAAP. These principles and standards provide a frame of reference for resolving accounting issues and cover most transactions.

010402. The FASAB recommends accounting standards after considering the financial and budgetary information needs of the Congress, executive agencies, other users of federal financial information and comments from the public. The OMB, the Department of Treasury, and the General Accountability Office (GAO) then decide whether to adopt the recommended standards; if they do; the standards are published as Statements of Federal Financial Accounting Standards.

010403. A listing of approved Statements of Federal Financial Accounting Standards (SFFASs) can be found at the following Internet address: <http://www.fasab.gov/standards.html>.

010404. Hierarchy of Accounting Standards.

A. Statements of Federal Financial Accounting Standards. Approved Statements of Federal Financial Accounting Standards comprise federal generally accepted accounting principles and shall be followed by all federal agencies, including NASA, in reporting under the “Government Management Reform Act” (GMRA) of 1994. Accordingly, the NASA offices shall adhere to the hierarchy of federal generally accepted accounting principles in the order of precedence listed below in paragraphs 1 through 7.

1. The individual Statements of Federal Financial Accounting Standards.

2. Interpretations related to the Statements of Federal Financial Accounting Standards (SFFASs) issued by the OMB in accordance with the procedures outlined in the OMB Circular A-134, "Financial Accounting Principles and Standards." The OMB Circulars can be found at the following Internet address: <http://www.whitehouse.gov/omb/circulars/index.html>.

3. Requirements contained in the OMB's Form and Content Bulletin in effect for the period covered by the financial statements.

4. Accounting principles published by other authoritative standard-setting bodies and authoritative sources if the use of such accounting principles improves the meaningfulness of the financial statements.

5. United States Government Standard General Ledger (USGSL) published by the Department of the Treasury, Financial Management Service, through its Treasury Financial Manual.

6. Policies and guidance published in the "NASA Financial Management Requirements" or the "NASA Financial Management Manual" until superseded.

7. Interim policies and guidance issued by NASA Headquarters Office of the Chief Financial Officer through various memoranda. Such interim guidance subsequently will be incorporated into the "NASA Financial Management Requirements."

010405. General Ledger Controls. Federal Financial Management Improvement Act of 1996 (FFMIA) maintain general ledger controls over all assets, liabilities, funds, equities, revenues, and costs through the use of a double entry accounting system utilizing the United States Government Standard General Ledger. General Ledger accounts will be grouped and subsidiary records will be maintained to provide the accounting detail necessary to properly record transactions and to prepare timely and meaningful financial statements and reports for all management levels and external sources.

010406. Financial Control and Recording of Assets. Assets will be controlled and recorded as an integral part of an accounting system. Supplies and materials will be recorded based on information provided by the Supply and Equipment Management Officer who is responsible for inventory management and reporting. Capitalized equipment and real property will be recorded at the detail item level, thus providing independent financial control. Reconciliation of capitalized equipment and real property detail records with the supply and equipment management records, and the real property records will be done on a periodic basis as prescribed in FMR Volume 6, Chapter 4.

010407. Allotment Controls. Administrative controls are implemented in accordance with NPD 9050.3E, to prevent commitments and obligations from exceeding amounts allotted. Such administrative controls will include appropriate procedures for certification of funds availability prior to obligation. Accounting records will provide a basis for determining that funds are available for incurring commitments or obligations, and to ensure that expenditures are not in excess of allotments.

0105 RESPONSIBILITIES

010501. The NASA Chief Financial Officer. The NASA Chief Financial Officer, is responsible for establishing policies, standards, and procedures applicable to NASA financial accounting and reporting functions and activities, and conducting periodic, systematic reviews of Center financial accounting and reporting practices.

010502. Center Deputy Chief Financial Officer, Finance. At Centers, the Deputy Chief Financial Officer, Finance (DCFO (F)) is responsible for application of the provisions of the NASA financial management Directives Policies (NPDs), the NASA Financial Management Requirements (NFMR), the portions of the Financial Management Manual that have not been superseded by the FMR, and the needs and directives of Center management.

010503. Mission, Program, and Project Officials. Mission, Program, and Project officials shall determine management needs for data, status information, estimates, and reports, consistent with these provisions and other sections of the NFMR.

0106 GENERAL POLICIES

010601. NASA's policy is that the management of finances involved in the execution of NASA missions and the conduct of NASA activities is an integral and essential element of the total management function and responsibility of the agency and officials at all levels of the organization. This policy is based in part on the following considerations:

A. NASA is entrusted with public funds and charged by law with the responsibility for control over and accounting for the use of those funds.

B. Within the law, and consistent with sound and conscientious discharge of NASA's public responsibility, the use of funds must be accomplished so that missions are executed and activities conducted in the most efficient and economical manner.

C. The use of public funds is not merely a ministerial function, but a discretionary function which requires the exercise of sound judgment based on reliable information.

010602. The Antideficiency Act, 31 USC 1341, provides that obligations may not be incurred and expenditures may not be made unless there is an appropriation or fund balance available (see FMR Volume 5). Also, appropriations by the Congress are requested, made, administered, and accounted for in terms of authority to obligate and expend. NASA accounting records must identify obligations incurred and liquidated with the applicable appropriation.

0107 FINANCIAL ACCOUNTING AND REPORTING POLICIES

010701. The following policies, related to financial accounting and reporting apply throughout NASA:

A. Financial accounting and reporting will be performed at the highest level of aggregation possible commensurate with established objectives. Duplicate records and reports will be avoided, and Headquarters and Center requirements will be combined and integrated to that end.

B. All NASA activities must maintain strong internal controls for safeguarding assets, ensuring that bills are promptly processed for goods and services sold, promoting the accuracy and reliability of financial data, and encouraging adherence to approved policies. The system of checks and balances, including separation of duties, will be sufficient to disclose conditions and transactions not in conformance with legal, administrative, and accounting requirements, and to ensure that funds are disbursed only for purposes for which they are legally available and administratively authorized. Recorded transactions will be adequately documented so they may be traced from original documents to financial statements.

C. Agency program and fund management concepts and systems require that commitments be recorded in order to provide a certified reservation of funds to support the awarding of obligations (see FMR Volume 5).

D. Payments will be recorded in accounts and reported at the level of the NASA Agency-wide Coding Structure (AWCS) to facilitate administrative control of funds and assist in budget formulation and execution, including commitments, obligations, and costs.

E. Cost accounts will be maintained on an accrual basis, i.e., costs and income will be recorded in accounts in the period in which incurred or earned (see FMR Volume 7). In the application of this policy, every effort will be made to ensure a comprehensive accrual at fiscal year-end, and reasonable efforts will be made to record costs accurately on an accrual basis each month.

F. Property, plant, and equipment items that meet the NASA capitalization criteria must be recorded soon as practicable and the financial records maintained in accordance with the provisions of Volume 6, Chapter 4. Operating materials and supplies that are held for future use must be recorded as assets and expensed when issued for use in accordance with the provisions of Volume 6, Chapter 4.

G. Quality Assurance Evaluations will be conducted to provide responsible NASA officials with an independent evaluation of the degree to which NASA financial accounting and reporting systems conform to the principles and standards prescribed. Such reviews shall also examine the extent to which the concepts and application of NASA financial accounting and reporting systems are adequate to permit responsible NASA officials to exercise proper financial controls.

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CHAPTER 2

CASH AND FUND BALANCE WITH TREASURY

0201 OVERVIEW

020101. This chapter prescribes the accounting policy and related management requirements necessary to establish financial control over fund balances with the U.S. Treasury (Treasury) and cash resources not part of the fund balance with the Treasury.

0202 AUTHORITY AND REFERENCES

020201. Accounting for cash and fund balance with Treasury is done in accordance with the following references.

- A. Custodians of Money, 31 USC 3302.
- B. Financial Reporting and Accounting System, 31 USC 3513.
- C. Government Reform Act of 1994.
- D. Treasury Financial Manual Volume I Part 2 Chapter 3300, Reports of Agencies for which the Treasury Disburses (FMS FORM 224).
- E. Treasury Financial Manual Volume I Part 2 Chapter 3400, Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury.
- F. Treasury Financial Manual Volume I Part 2 Chapter 4700, Closing Package for the Government-wide Financial Report System (GFRS).
- G. Treasury Financial Manual Volume I Part 2 Chapter 5100 and Supplement, Reconciling Fund Balance with Treasury Accounts.
- H. Statement of Federal Financial Accounting Standard No.1, Accounting for Selected Assets and Liabilities.
- I. 5 Code of Federal Regulations 1315: Prompt Payment.
- J. Federal Acquisition Regulations

0203 ROLES AND RESPONSIBILITIES

020301. NASA Headquarters Office of the Chief Financial Officer shall:

A. Coordinate and monitor the processes and systems used to record and report NASA's cash and fund balance with Treasury.

020302. Office of the center Chief Financial Officer shall:

A. Record all transaction affecting Fund Balance with Treasury in the NASA Integrate Financial Management System.

B. In accordance with the guidance contained in this Chapter, Perform required reconciliations between NASA's reported Fund Balance with Treasury and the amounts reported by Treasury.

C. Prepare and submit Agency Location Code (ALC) level reports to Treasury.

0204 DEFINITIONS

020401. Agency Access. Agency Access within the Department of Treasury's CASHLINK system allows agencies to view deposit/debit voucher data reported by financial institutions.

020402. Agency Location Code (ALC). A numeric symbol used to identify accounting reports and documents prepared by or for agency accounting stations and disbursing offices (e.g., eight-digit agency location station code, four-digit checking account symbol, and three-digit Treasury office number). See TFM Transmittal Letter; August 28, 2004.

020403. CASHLINK. CASHLINK is a worldwide deposit reporting and cash concentration system. Users can obtain deposit information daily using the Agency Access option with CASHLINK.

020404. FMS 6652: Statement of Differences. FMS produces the Statements of Differences (FMS 6652) to identify differences between deposit and disbursement data. A FMS 6652 is generated for each ALC by accounting and accomplished month if there is a discrepancy. The accounting month is the month the report is generated.

020405. FMS 6653: Undisbursed Appropriation Account Ledger. FMS provides a monthly FMS 6653 for expenditure accounts that have monthly activity. FMS 6653 provides information about the appropriation warrants issued, nonexpenditure transfers, transactions reported by agencies on the Statement of Transactions, and those reported by other agencies as well as certain centrally processed FMS documents.

020406. FMS 6654: Undisbursed Appropriation Account Trial Balance. FMS 6654 provides agencies with summary data about their expenditure accounts. This data is summarized for each appropriation and fund account.

020407. FMS 6655: Unappropriated Receipt Account Ledger. FMS 6655 contains detailed receipt transactions and balances reported by an agency during an accounting month. These balances are unavailable for expenditure until Congress passes specific appropriation legislation. FMS 6655 discloses information related to the balance forwarded, current month receipt transactions, and the month-end closing account totals. This information is reported for each special and trust fund receipt account.

020408. FMS 6655: Receipt Account Trial Balance. FMS 6655 provides receipt balances by fund account symbol and department. This includes year-to-date and current month receipt totals.

020409. FMS 6655: Report of Unavailable Receipt Transactions. FMS 6655 provides collections or deposits of funds in accounts not immediately available for expenditure. The unavailable receipt balances are provided for each receipt account symbol.

020410. Fund Balance with U.S. Treasury (US Standard General Ledger Account 1010). Fund Balance with U.S. Treasury is the aggregate amount of funds on deposit with Treasury. Fund Balance with Treasury (FBWT) is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by Treasury); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the Treasury; and (5) sequestration or rescission of appropriations.

020411. Government-wide Financial Report System (GFRS). The GFRS is the system being developed by FMS to capture each agency's Closing Package information and will be operational for fiscal year end 2004.

020412. Government On-Line Accounting Link System (GOALS). GOALS is the Government wide network that provides automated financial reporting directly to FMS and the Office of Management and Budget (OMB). It also provides agencies with reports on receipt and disbursement activity and other FBWT transactions.

020413. Intra-Governmental Payment and Collection (IPAC) System. IPAC is one of the major components of the Government On-Line Accounting Link System II (GOALS II). The IPAC application's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPAs). IPAC facilitates the intra-governmental transfer of funds, with descriptive data from one FPA to another.

0205 POLICIES AND PROCEDURES

020501. NASA's fund balance with Treasury is the aggregate amount of funds in its accounts with Treasury for which NASA is authorized to make expenditures and pay liabilities. Fund balance with Treasury is an intragovernmental item. From the NASA perspective, a fund balance with Treasury is an asset because it represents NASA's claim to the U.S. Government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability.

020502. Receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, allocations, and allotments, and receiving transfers and collections of reimbursements from other entities may increase the fund balance with Treasury.

020503. NASA's fund balance with Treasury is reduced by disbursements made to pay liabilities or to purchase assets, goods, and services, investments in U.S. securities (securities issued by Treasury), cancellation of expired appropriations; (d) transfers and payments for reimbursements to other entities or to the Treasury, and (e) sequestration or rescission of appropriations, as applicable.

020504. Disclosure shall be made to distinguish two categories of funds within NASA's fund balance with Treasury: the obligated balance not yet disbursed and the unobligated balance. The obligated balance not yet disbursed is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made.

020505. The unobligated balance is the amount of funds available to NASA against which no claims have been recorded. Unobligated balances are generally available to NASA for specific purposes stipulated by law if the fund has not expired or been cancelled. Unobligated balances may also include balances in expired accounts that are available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclosure shall be provided on such restrictions.

020506. NASA shall explain the cause(s) of any discrepancies between fund balance with Treasury in their general ledger accounts and the balance in Treasury's accounts. Discrepancies due to time lag shall be reconciled and discrepancies due to error shall be corrected.

020507. NASA's fund balance with Treasury includes budget clearing and suspense account balances. NASA does not have any deposit account fund symbols.

0206 RECORDING FUND BALANCE WITH TREASURY

020601. NASA records all accounting transactions in its integrated accounting system, IFMP/ SAP. The general ledger account entries that are generated by each accounting transaction, applicable for NASA account 1010 can be viewed at USSGL Web Site.

020602. Fund Balance with Treasury Reported by Other Federal Agencies. Treasury provides NASA with detailed support listings of transactions from the CA\$HLINK data system (CA\$HLINK Web Site), Regional Finance Center (RFC) Confirmation Reports (<http://fms.treas.gov/aboutfms/what.html>), Federal Reserve Banks (FRB) daily transcripts, and the Intergovernmental Payment and Collection (IPAC) system (IPAC Web Site) which are all applications maintained by Treasury via GOALS II. The listing of transactions can be downloaded from GOALS II on Treasury Confirmation Reports to assist in reconciling the Fund Balance with Treasury.

020603. The CA\$HLINK data system is used by the banking system to report details of collections received from and on behalf of government agencies. RFC Confirmation Reports and FRB daily transcripts include checks issued and electronic disbursements (EFT) accomplished on behalf of agencies. The IPAC system data is used by agencies to report interagency transactions.

020604. Fund balance with Treasury activity reported by other agencies on NASA's behalf includes:

A. Letter of Credit Drawdowns. The Department of Health and Human Services (HHS) reports Letter of Credit (LOC) drawdowns or advances of funds on the SF-224 directly to Treasury on behalf of NASA. Various universities or research organizations that have been awarded grants initiate the drawdowns or advances of funds through the HHS Payment Management System (PMS). NASA establishes the authorized funds in PMS. An interface between PMS and SAP allows NASA to record the disbursement of funds in SAP. When Treasury receives the SF-224 from HHS, the drawdowns are recorded in the Fund Balance with Treasury general ledger account as a disbursement in budget clearing account 80F3885, Undisbursed Intergovernmental Payments. At the end of the month, NASA logs into the PMS system and retrieves a report, which lists all disbursements made by HHS on behalf of all NASA Centers. Utilizing the PMS report, the NASA Office of the Chief Financial Officer collects, via IPAC, the amount required from each Center to clear budget clearing account 80F3885 of the disbursements charged by HHS. Each NASA Center should verify the reported amounts on the interface to the amount on the IPAC report. Centers shall report any discrepancies to NASA Office of the Chief Financial Officer. Centers shall report the IPAC amount to the applicable appropriation symbol (application of fund) on its Centers SF-224 at the end of the month.

B. Overseas Payments.

1. Foreign payments or disbursements are made through the State Department for living expenses and payroll of NASA employees who are working

in foreign countries. The State Department has three main offices (Bangkok, Paris, and Charleston, SC) responsible for gathering foreign payment data. These offices transmit the amounts recorded to the State Department who, in turn, report the amounts on behalf of NASA to Treasury via SF-224. The SF-224 organizes the charges by embassy and country. The State Department SF-224 report does not include payroll information. However, payroll charges and all other charges appear on the monthly FMS 6653, in various appropriations, and are identified by Agency Location Codes (ALC) ALCs specifically established for the State Department charges (i.e. 80-00-8768, 80-00-8769, and 19-00-0003).

2. NASA reviews the State Department SF-224 and the FMS 6653 and identifies the Centers responsible for the amounts by using information such as employee name, ALC or AIN provided on the Voucher Detail Reports received monthly from the State Department. The information is input on a "Foreign transactions" spreadsheet, and similar to HHS, the totals from this spreadsheet are used to charge the Centers via IPAC for the appropriate amount. The Agency, on its SF-224 (ALC 80-00-0087), transfers all charges analyzed on the FMS 6653 to account 80F3885. The Agency sends copies of the vouchers and SF-224 to the appropriate Center(s) as support for the IPAC transaction. The IPAC transactions are reported on the Center's SF-224 at the end of the month against the appropriate appropriation(s) based upon the supporting documentation.

C. NASA's Thrift Savings Plan (TSP) Disbursements. The Federal Retirement Thrift Investment Board (Department of Agriculture) contracts with National Finance Center (NFC) to serve as the TSP record keeper to administer NASA's Thrift Savings Plan (TSP) disbursements. NFC maintains the accounts of TSP participants and processes contribution allocations, interfund transfers, loans, withdrawals and transfers of funds into the TSP from other plans. Similar to HHS procedures, TSP disbursements appear on the monthly FMS 6653 against budget clearing account 80F3875 as reported by NFC on the SF-224. NASA Agency Headquarters and Centers debits the applicable TSP amount from the payroll interface to general ledger account 1010.5100, IPAC collections, as a collection on a journal voucher and credits general ledger account 2400.0000, Liability for Deposit Fund and Clearing Accounts. A second journal voucher is prepared to clear the funds from the Clearing Account, 80F3875 that debits general ledger account, 2400.0000 and credits general ledger account 1010.9888, Cash Transactions Not Reported on SF-224. Another cash account is posted to prevent the reversal entry from being posted on the SF-224, because NFC already reported the disbursement to Treasury.

020605. Treasury compares the information submitted on the SF-224 to the information available in CASHLINK, IPAC, RFCs and FRB. Any differences are reported to NASA monthly on a Statement of Differences (FMS 6652) report until resolved. Treasury will send a letter to NASA financial management regarding any unresolved amount listed for 3 months.

020606. Budget Clearing Account (suspense), F3875, and Undistributed Intergovernmental Payments, F3885. The Budget Clearing Account (suspense), F3875, and Undistributed Intergovernmental Payments, F3885, must be analyzed and reviewed to ensure their proper disposition within thirty days. Each Center must provide detailed worksheets to the Agency Office of the CFO on a monthly basis to account for each open item in the suspense and clearing accounts. Each Center must provide explanations for all items in these accounts over 30 days and the plan of action to resolve each item with an anticipated date of resolution. Failure to properly disposition suspense and undistributed amounts may result in a misstatement on the annual financial statements. Amounts which remaining in SGL account 2400, the Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections account, may be revenue or expense items.

0207 RECONCILING FBWT

020701. Reconciling FBWT accounts is a key internal control process. It assures the reliability of the Government's receipt and disbursement data reported by NASA. Therefore, NASA must perform timely reconciliation and implement an effective and efficient reconciliation process. NASA documents these reconciliations and makes them available to management, auditors and Treasury, if requested. NASA shall ensure that all adjustments are researched and traceable to supporting documents.

020702. Daily Reconciliation Process (Centers). On a daily basis, Center accountants and accounting technicians must reconcile the previous days' SAP account 1010 (cash) transactions, based on the SAP Transaction Register, to receipts and disbursements transactions reported by other sources on the GOALS II Treasury Confirmation Reports. To complete the daily reconciliation the NASA Centers execute the following steps:

A. All of the Treasury Confirmation Reports (FRB, IPAC, RFC, and CASHLINK) are downloaded from the GOALS II and the transactions are exported into an Excel spreadsheet and summarized by amount.

B. The following reports are run in IFMS/SAP:

1. The SAP Transaction Register (transaction code: FMFG_E_TRANS_REG) report is executed in SAP. The report includes the detail of NASA's Fund Balance Account 1010 cash transactions for a given set of variables (fiscal year, period, posting date, business area, and previously established layout for cash only accounts) by Treasury appropriation symbol, or in SAP, the Application of Fund (AOF).

2. To verify completeness of the register's detailed information, the SAP SF-224 report (transaction code: FMFG_E_SF224) is executed with the same variables. The cash transactions will be summarized by appropriation, collections, and disbursements.

C. The Transaction Register and the SF-224 are compared and the net total of the collections and disbursements from the SAP SF-224 should equal the total of

the detailed information from the register. If there is a difference between the two totals, the transactions that make up the difference must be identified and the differences resolved.

D. The register information is exported into an Excel worksheet and joined on a worksheet with the Treasury reports from GOALS II.

E. The summary difference is calculated between the SAP balance and the total balances of the Treasury reports.

F. To identify the detail transactions, which totals to the summary difference, the Excel worksheet is sorted by SAP transactions and Treasury transactions, and then by date to identify transactions that may be recorded in SAP and not Treasury, and vice versa. The transactions that are identified should equal the summarized difference calculated in paragraph E. above.

G. After all of the differences are documented and the reconciling actions are identified, the reconciliation is reviewed and signed by an authorized official.

020703. Monthly Reconciliation Process.

A. Monthly FMS 6653/6654 reports to SAP General Ledger Account 1010 Reconciliation - The following steps are performed:

1. At month end, the Accounting, Reporting and Analysis Branch (Code BFB) determines if the SAP SGL account 1010 ending balance and the FMS 6653 closing balance are equal. The balances are compared for the same accounting month and appropriation symbol. To obtain the SAP ending balances for each appropriation, a ZAFT report is run from the GR55 Transaction Code in SAP. The ZAFT reports cumulative-to-date trial balance amounts by application of fund (appropriation). (ZAOF reports current year trial balance amounts by application of fund.) From the ZAFT report, SGL 1010 sub- accounts are combined.

2. If SAP and FMS 6653 are not equal, NASA verifies the transactions reported on the FMS 6653 by using the SF-224 source documents that were posted (or should have been posted) to SAP during the month being reconciled and compare the documents to the SF-224 information that was actually submitted to Treasury by appropriation. To retrieve the SAP general ledger documents the Transaction Register report, FMFG_E_TRANS_REG, is generated from SAP.

3. The detail reports are exported to an Excel spreadsheet and compared to identify any out-of-balance conditions.

4. Differences are first checked against the previous month's reconciling items for timing differences. All other reconciling items, other than timing differences, are researched for validity.

5. If a valid disbursement or receipt is posted in SAP, but not reported on the FMS 6653, it is probably due to a timing difference where the month end cut-off date per SAP is different than the cut-off date for transmission of the SF-224. The disbursement or receipt is documented and reported on the next SF-224. Verification is performed the following month to verify the items have cleared.

6. If a receipt or disbursement is reported on the SF-224 and reflected on the FMS 6653, but not posted to the SAP, a copy of the document is obtained, reviewed, approved and is then recorded into SAP in the open period, which may create a timing difference. Verification is performed the following month to verify the items have cleared.

7. If a receipt or disbursement is erroneously posted to SAP, the document is reviewed and reversed in SAP after approval by an authorized official. The documented transaction should include an explanation, signatures of preparer, reviewer, if applicable and the authorized official, and dates.

8. If an amount reflected on the FMS 6653 as reported by another agency is correct, but is not posted in the general ledger (G/L), the agency is contacted to request the source documentation to verify the entry. The entry is posted in the G/L upon receipt and approval of the document(s).

9. After documenting and reviewing all differences, the netted differences equal the amount noted in step 1.

10. The reconciliation is then reviewed, approved, and signed by the preparer and an authorized official. The documentation is filed and retained for review.

B. Statement of Differences.

1. Monthly, GOALS II is accessed to determine if a Statement of Difference report has been generated for disbursements and receipts.

2. If Treasury identifies differences, NASA compares the FMFG_E_SF224 report from SAP to the Treasury Confirmation Reports (IPAC, RFC, CA\$HLINK, FRB) generated from GOALS II to identify any schedule(s) or document(s) (i.e. check items) that was not reported on the SF-224 transmission. This may be due to cancellations or timing differences.

3. When the unreported schedule(s) or document(s) is identified, the schedule(s) or document(s) is researched and verified in SAP for accuracy.

4. If the schedule(s) or document(s) is accurately reported in SAP, the schedule(s) or document(s) number is noted and the next month's Treasury Confirmation Reports should include the schedule(s) or document(s). If the schedule(s) or document(s) is not accurately reported in the G/L, the necessary adjustment, which

shall be documented and retained, is made after review and approval by an authorized official.

020704. Exemptions to the requirement for daily, twice a week, and weekly reconciliations may be requested in writing to the Agency Office of the CFO, Financial Management Directorate, when a Center has demonstrated over a period of time (i.e. daily for a month, twice a week for two months, and weekly for a quarter) that the Center has adequate control over their cash balances. The final approved exemption will permit the Center to perform semimonthly reconciliations.

020705. SAP On Line Quick Reference (OLQR). This On Line Quick Reference (OLQR) Job Aid link describes the Center's review of fund balance with Treasury procedures:

A. http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.1_Review_Fund_Balance_with_Treasury_Activity.htm

B. http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Center_FM_Module_to_FI_Module_Special_Ledger_Reconciliation.pdf

0208 REPORTING REQUIREMENTS

020801. Agency Reporting Requirements for the Financial Report of the United States Government. http://fms.treas.gov/factsi/2004Combined_TFM-Maste_5-6-04.pdf 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 year 2004 Closing Package methodology, the Federal intragovernmental transactions process, and requirements for electronically submitting pre-closing adjusted trial-balance(s) (ATBs).

020802. Federal Agencies' Centralized Trial-Balance System (FACTS II) <http://fms.treas.gov/factsii/index.html> FACTS II is NASA's submission of the budgetary general ledger accounts. The reconciliation of the fund balance with Treasury account is an integral part of this report submission.

020803. Closing Package for Fiscal Year 2004 Reporting http://fms.treas.gov/ussgl/tfm_releases/effective04/comp04sec6.pdf 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 Accounting Principles and submit NASA adjusted trial balances via FACTS I.

020804. Form and Content of Agency Financial Statements, OMB Bulletin No. 01-09. 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.

0209 INFORMATION TECHNOLOGY RESOURCES

020901. Statement of Transaction (SF 224). Statement of Transaction (SF 224) is an application of the Government On-Line Accounting Link System II (GOALS II). This application provides Federal Program Agencies (FPAs) that utilize Financial Management Service (FMS) Regional Finance Centers for their disbursing activity the capability to submit their monthly statement of transactions to the Financial Management Service.

020902. Undisbursed and Receipt Account Reports. The Undisbursed and Receipt Account Reports is an Internet application of the Government On-Line Accounting Link Information Access System II (GOALS II/IAS) managed by the FMS of the Department of Treasury. This system provides all federal agencies access to their account balances and monthly transaction data using a standard web browser (Internet Explorer (IE) is recommended) and access via the Internet. The reports available from this application are:

- A. Undisbursed Appropriation Account Ledger (FMS 6653).
- B. Undisbursed Appropriation Account Trial Balance (FMS 6654).
- C. Receipt Account Ledger (FMS 6655).
- D. Receipt Account Trial Balance (FMS 6655).
- E. Unavailable Receipt Transactions (FMS 6655).

020903. The data included in these reports is derived from the NASA Centers' monthly reports that classify transactions to appropriation, fund, and receipt accounts; Appropriation Warrants; Non-expenditure Transfer Authorizations; and other account-based transactions reported to the Financial Management Service (FMS). These reports are updated monthly to reflect year-to-date balances and activity as well as current month transactions.

APPENDIX A

AGENCY LOCATION CODE (ALC) LISTING

<i>Code</i>	<i>Name</i>	<i>Code</i>	<i>ALC</i>
01	Agency wide	Agency	80-00-0087
10	NASA Headquarters	HQ	80-00-0001
21	Ames Research Center	ARC	80-00-1201
22	Glenn Research Center	GRC	80-00-0701
23	Langley Research Center	LARC	80-00-0501
24	Dryden Flight Research Center	DSFC	80-00-0024
51	Goddard Space Flight Center	GSFC	80-00-0002
55	NASA Management Office at JPL	NMO	80-00-0055
62	George C. Marshall Space Flight Center	MSFC	80-00-4901
64	Stennis Space Center	SSC	80-00-0101
72	Johnson Space Center	JSC	80-00-0004
76	Kennedy Space Center	KSC	80-00-4904

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CHAPTER 3**ACCOUNTS RECEIVABLE**0301 OVERVIEW

030101. This chapter issues policy for the recognition, recording, and reporting of public and intragovernmental accounts receivable. This chapter also addresses the recognition, recording and, when necessary, the write-off and closeout of public receivables and the recording and adjusting of intragovernmental receivables.

030102. Receivables shall be recorded when recognized or earned, and collected when due. The Statement of Federal Financial Accounting Standards (SFFAS) No. 1 requires that receivables be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. SFFAS No. 1 requires that receivables from federal entities be reported separately from receivables due from public entities. Because of legal and administrative requirements and concepts, intragovernmental and public receivables are treated differently.

0302 AUTHORITY AND REFERENCES

030201. Accounts receivable policies and procedures are developed in accordance with the following references.

A. Statement of Federal Financial Accounting Standard No. 1, "Accounting for Selected Assets and Liabilities", September 1995;
<http://fasab.gov/pdf/sffas-5.pdf>

B. Treasury Financial Management supplement, "Managing Federal Receivables" [Hardcopy only]

C. "Federal Claims Collection Standards" 31 CFR 900-904;
http://www.access.gpo.gov/nara/cfr/waisidx_04/31cfrv2_04.html

D. "Debt Collection Authorities under the Debt Collection Improvement Act of 1996" 31 CFR 285;
http://www.access.gpo.gov/nara/waisidx_04/31cfr285_04.html

E. OMB Circular A-129 "Policies for Federal Credit Programs and Non-Tax Receivables," November 2000;
<http://www.whitehouse.gov/omb/circulars/a129/a129rev.html>

- F. “Debt Collection Improvement Act of 1996” [Public Law 104-134]
- G. 26 CFR 1.6050P-1 (IRS 1099-C, Collection of Debt)
- H. United States General Ledger; <http://fms.treas.gov/ussgl/current.html>
- I. Federal Acquisition Regulation;
<http://www.access.gpo.gov/cgi-bin/cfrassemble.cgi?title=200348>
- J. Treasury Report on Receivables (TROR);
<http://www.fms.treas.gov/debt/dmrpts.html>
- K. “Processing of Monetary Claims (General),” 14 CFR 1261;
http://www.access.gpo.gov/nara/cfr/waisidx_04/14cfr1261_04.html

0303 ROLES AND RESPONSIBILITIES

- 030301. NASA Headquarters, Office of the Chief Financial Officer shall:
 - A. Coordinate and monitor the processes and systems used to record, report., and collect NASA’s receivables.
 - B. Prepare and submit, based on reports from the Centers, NASA’s agency-level Treasury Report on Receivables.
- 030302. NASA Center Office of the Chief Financial Officer shall
 - A. Record receivables as soon as possible upon notification from the responsible Center office that an amount is due.
 - B. Process collections and deposit receipts.
 - C. Monitor aged outstanding receivables and manage the debt collection function at the Center.
 - D. Refer delinquent debt to Treasury in accordance with Treasury procedures

0304 DEFINITIONS

- 030401. Accounts Receivable. Receivables arise from claims to cash or other assets against another entity. Receivables include, but are not limited to, monies due for indebtedness. Examples of indebtedness include overdue travel advances,

dishonored checks, interest, overpayments, fees, claims, damages, or any other event resulting in a debt owed to NASA.

030402. Close-out. Close-out occurs after determination has been made that additional collection efforts on a debt would be futile. The amount of the debt is reported to the Internal Revenue Service as potential income to the debtor on Form 1099-C, "Cancellation of Debt." Close-out may occur concurrently with the write-off of an account, or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. No additional collection action may be taken after close-out.

030403. Collection Actions. Collection actions include issuance of demand letters and referral to debt collection entities such as the Department of the Treasury.

030404. Delinquent Receivables. Delinquent accounts receivable are receivables that have not been paid by the date specified in the initial written demand for payment or applicable agreement unless other payment arrangements have been made. Receivables which are delinquent are aged from the payment due date. If a payment "grace" period is provided and expires without payment, then the receivable becomes delinquent from the original payment due date. When a receivable become delinquent all amounts, including penalties and fees become immediately due.

030405. Intragovernmental Receivables. Intragovernmental receivables are claims of a federal entity against other federal entities.

030406. Nondelinquent Receivables. Nondelinquent receivables are receivables outstanding for 30 days or less or those not yet due under the contract or billing document pertaining to the receivable.

030407. Nonentity Receivables. As defined by the Statement of Federal Financial Accounting Standards Number 1, nonentity receivables are amounts that NASA collects on behalf of the U.S. government or other entities, and NASA is not authorized to spend. Nonentity receivables are reported separately from receivables available to NASA (entity receivables.) Nonentity receivables include governmental receipts and collections arising from the sovereign and regulatory powers unique to the federal government.

030408. Nonfederal Receivables. Nonfederal receivables are claims of NASA or an entity within the federal government against nonfederal entities. The term "nonfederal entities" encompasses public entities, domestic and foreign persons and organizations outside the U.S. Government. Nonfederal receivables are also called public receivables.

030409. Reimbursements. Reimbursements are amounts earned and collected for goods or services furnished.

030410. Rescheduled Receivables. Rescheduled receivables are receivables and advances that have been subject to rescheduling, forbearance, deferment, reamortization, or any other form of extending the original payment(s) or payment due dates.

030411. Revenue. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when an entity provides goods and services to the public or to another federal entity for a price. Exchange revenue is also known as earned revenue. Nonexchange revenues come primarily from power of the U.S. Government to demand payments from the public, such as taxes, duties, fines, and penalties.

030412. Write-off. Write-off occurs when an agency official determines, after all appropriate collection actions have been taken, that it is more than 50 percent likely that a debt is uncollectible. All collection efforts on the account cease and the account is removed from the receivables. Writing off a debt does not preclude NASA from taking advantage of offset possibilities or other means of collection, should they become available. Accounts may be written-off and maintained as inactive debt “currently not collectible.” Only public debt may be written off.

030413. Accounts Receivable (Account Number 1310). Accounts receivable are the receivables or amount due from others when the right to receive funds accrues. This may result from the performance of services, the delivery of goods, refunds due, or court ordered assessment. Sources of entry include billing documents, cost reports, receiving reports, payroll records, cash collection vouchers, and collection and disbursing documents. The normal balance for this entry is a debit.

030414. Allowances for Loss on Accounts Receivable (Account Number 1319). Allowances for Loss are the estimated amount of uncollectible accounts receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. This account shall consider outstanding advances. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit.

030415. Interest Receivable (Account Number 1340). Interest receivable is the accrued interest charges on accounts and loans receivable. This also includes interest accrued on investment securities. The normal balance for this account is a debit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of interest.

030416. Allowances for Loss on Interest Receivable (Account Number 1349). The allowance for loss on interest receivables is the estimated amounts of uncollectible interest receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently

written off. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit.

030417. Penalties, Fines and Administrative Fees Receivable (Account Number 1360). This is the amount of penalties, fines and administrative fees on accounts and loans receivable due to the delinquency of a debt. The normal balance for this entry is a debit.

030418. Allowances for Loss on Penalties, Fines and Administrative Fees Receivable (Account Number 1369). This is the estimated amount of uncollectible penalties, fines and administrative fees receivable. This amount is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. Sources of entry include an analysis of this account to estimate the uncollectible portion. The normal balance for this entry is a credit.

0305 POLICIES AND PROCEDURES

030501. Receivables.

A. Receivables shall be recorded in the accounting period in which they are earned from the sale of goods and services, or in which a debt is recognized. Accounting records for receivables shall be maintained so that all transactions affecting the receivables are included in the reporting period in which they occur. Adjustments or corrections to accounts receivable will be posted immediately. If adjustments or corrections effect the due dates for the receivable, the debtor shall be notified.

B. An advance payment usually is required before the delivery of goods or services. If an advance is not received, a receivable shall be recorded upon the sale of goods or performance of work.

C. Receivables shall be promptly aged and collected. An allowance for uncollectible accounts receivable due from the public shall be estimated and recorded. No allowance for uncollectible accounts shall be recorded for intragovernmental receivables.

D. Goods sold or services furnished shall be authorized and documented in a written agreement between NASA and the ordering entity. The cost of the goods or services is first borne by NASA. The activity receiving the goods or services (ordering entity or customer) reimburses NASA. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

E. Prompt Collection. The collection of receivables shall be aggressively pursued for amounts due to NASA from federal customers and the public.

The due date for a receivable normally is 30 days from the date of invoice or notice of payment due; unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions shall be initiated when payment becomes due. Funds shall be collected in the appropriation that earned the funds, unless otherwise specified by law.

F. When a debt is paid in partial or installment payments, amounts received shall be applied first to outstanding penalties, second to administrative charges, third to interest, and last to principal, per Federal Claims Collection Standards, Title 31, Code of Federal Regulations (CFR) §901.9 (f).

G. Interest Receivable. Interest is accrued when an amount due is not received by the established due date. An interest receivable shall be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable shall be recorded as it is earned on investments in interest-bearing securities. Interest also shall be recognized on outstanding accounts receivable against persons and entities in accordance with provisions in 31 U.S.C. 3717, Interest and Penalty Claims.

H. Information on receivables shall be developed, maintained, and reported using the United States Government Standard General Ledger (USSGL). The first four digits of the accounts receivable general ledger account shall conform to the USSGL chart of accounts.

I. The basic standards for internal controls shall be adhered to in establishing and collecting receivables. Major categories of receivables shall be maintained to facilitate clear and full disclosure of accounts receivable including the name of the debtor, and the amount, age, and the type of debt. Subsidiary records shall be reconciled to the control accounts on a monthly basis. Proper separation of duties shall be maintained.

J. Gains or losses resulting from foreign currency receivables shall be recorded in the "Other Gains or Losses" account for the period when settlement occurs. This requirement does not supersede the accounting requirement concerning gains or losses in foreign currency transactions as set forth in 31 United States Code (U.S.C.) 3342.

K. Several individuals will be responsible for the recording and reporting of public and intragovernmental accounts receivable. Those individuals shall coordinate their activities to ensure that accounts receivable are recorded, aged, collected, written-off, or closed-out as required in this chapter.

030502. Debt Collection. NASA policies and procedures for collection of debt are described in 14 CFR 1261, Processing of Monetary Claims (General).

030503. Erroneous, Invalid, or Unsubstantiated Accounts Receivable.

A. Receivables shall be reviewed for completeness, accuracy, and supportability annually. Any account receivable found to be erroneous or unsupported shall no longer be classified as collectable.

B. If it is determined that a debt was never owed and should not have been classified as an accounts receivable, the entries that established the accounts receivable shall be reversed.

C. If the documentation necessary to support a claim is no longer available the accounts receivable should be reversed. Justification for reversing the account receivable shall be documented and maintained for future audit purposes.

030504. Canceled Appropriations. Each Center shall retain all outstanding receivables in the accounting records even though an appropriation closes. When an appropriation closes NASA is not relieved of the responsibility to pursue collection or recovery. Collections received after an appropriation closes shall be deposited in the Department of the Treasury's Account 3200, "Collections of Receivables from Canceled Accounts."

030505. Public Receivables. Receivables due from the public are claims of NASA, or an entity within the federal government, against nonfederal entities. This includes debts from public entities, foreign governments and companies, and organizations outside the U.S. Government. Public receivables are created when an advance is not received or from refunds due to NASA.

A. Upon the sale of goods or services and determination of an amount due the responsible Center shall record a receivable in the accounting system. Abnormal balances resulting from such postings shall be researched and proper adjustments or corrections posted.

B. Upon receipt of a collection, the responsible Center shall record the collection in the accounting system and report the collection to the Department of the Treasury. If an abnormal balance results from the recording the collection, the balance shall be research and proper adjustments or corrections posted.

C. Each Center shall submit delinquent accounts receivable for further collection action as required by debt collection policy.

D. Public receivables shall be reported in accordance with Department of Treasury Regulations.

E. Refunds receivable are funds due to NASA. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable. Examples of refunds receivable include salary overpayments, overpayments

to commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default, amounts due for items rejected or returned and recovery of amounts due on payments for contractual services when contracts are canceled and adjustments made for the unused portion.

F. Payroll offices, legal offices, procurement offices, or any entity that determines that a refund is due to NASA shall notify the CFO office that an accounts receivable is to be recorded in the accounting system. Such notification shall be made in the same accounting cycle that the debt is recognized.

G. Upon receipt of a collection on a debt, the collection shall be recorded in the accounting system and reported to the Department of the Treasury.

H. Delinquent accounts receivable shall be forwarded to Treasury for further collection action as required by NASA debt collection policy.

I. Accounts receivable shall be aged to allow for the management of collection actions.

J. The due date for a receivable is normally 30 days from the date of invoice or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness. The initial demand for payment shall include a complete explanation of the debtor's rights, responsibilities, and additional charges that may be levied.

K. Delinquent vendor debt shall be submitted to the Department of Treasury, Debt Collection Service, for servicing no later than 90 days after the payment due date in accordance with debt collection policy. Subsection (g) of Section 3711 of title 31, United States Code requires that public receivables over 180 days old be transferred to the Department of the Treasury for further collection action.

L. Exceptions to the requirement to transfer debt to the Department of Treasury include debts or claims that: (a) are in litigation or foreclosure; (b) will be disposed of under an asset sales program within one year after becoming eligible for sale, or later than one year if consistent with an asset sales program; (c) have been referred to a private collection contractor for collection for a period of time determined by the Secretary of the Treasury, and; (d) will be collected under internal offset, if such offset is sufficient to collect the claim within three years after the date the debt or claim is first delinquent.

M. Debts due from the public in the amount of \$100,000 or more must be referred to the Department of Justice for concurrence to terminate collection action.

N. Each Center shall establish an allowance for loss, or doubtful debt, which shall provide for reducing gross receivables by the amount of the estimated loss to

their net realizable value. SFFAS No. 1 states that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected; the phrase “more likely than not” means more than a 50 percent chance of loss. The allowance for uncollectible amounts shall be reviewed annually.

030506. Write-off and Close-out of Public Accounts Receivable.

Requirements for the collection, write-off and close-out of public accounts receivable are established in Office of Management and Budget (OMB) Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”

A. The Associate Administrator for Management Systems and Facilities (for NASA Headquarters) and the Director, for a Center, or a designee who reports directly to those officials, have the authority to terminate collection action on debts which do not exceed \$20,000, exclusive of interest, penalties and administrative costs, after consultation with other officials as outlined in CFR 1261.403. After reasonable efforts to enforce collection have been exhausted, DCFO(F)s are authorized to write off delinquent debts when the principal amount is less than \$100.00. These small delinquent debts should be written off if collection is not made after the third demand letter. The Administrator or designee has the authority to compromise, suspend, or terminate collection action where the principal amount of a debt is between \$20,000 and \$100,000; recommendations for such action should be referred to the Director, Financial Management Division, NASA Headquarters, for processing. Where the principal amount of a debt exceeds \$100,000, only the Department of Justice has authority to compromise, suspend or terminate collection actions, and the matter should be referred to Justice as discussed in 14 CFR 1261.417.

B. Generally, write-off is mandatory for public delinquent debt that has not been collected within 2 years. When a debt is written-off, it must be classified as “currently not collectible” (CNC) or closed-out. Debts in CNC status are reported on the Treasury Report On Receivables (TROR) and are eligible for both offset and cross-servicing. Public debt shall be classified as CNC only if: (1) the vendor debt is over \$600, (2) all available debt collection actions have been pursued, (3) it is cost effective to continue collection efforts, and (4) the debt is less than two years old. CNC debt shall be continuously reviewed and, as required, reclassified and closed-out.

C. The Treasury Financial Management supplement, “Managing Federal Receivables” states that an agency shall consider a debt uncollectible, write-off the debt, and terminate active collection action when one or more of the following criteria apply:

1. The debt is erroneous or otherwise without merit.
2. The debt cannot be substantiated.
3. The debtor has filed a petition for bankruptcy.

4. The costs of further collection action will probably exceed the amount that could be recovered.

5. The agency is unable to locate the debtor and finds that either: (1) there is no security to be liquidated to recover the amount owed, or (2) the statute of limitations has expired and the chances of collecting the debt are minimal.

6. The agency is unable to collect any substantial amount.

D. Close-out of delinquent accounts receivable shall be accomplished two years after the payment due date, and shall be reported to the Internal Revenue Service (IRS). Public vendor debt of \$600 or less shall be collected or closed-out. This debt should not be referred for further collection action unless mandated by public law. Appropriate documentation shall support the decision to close-out uncollectible public debt.

E. Public debt over \$600 due from vendors for the sales of goods and services shall be referred to the Department of Treasury for further collection actions. For vendor debt, refer the debt no later than 90 days after the payment due date. Delinquent public debt must be reported to the Department of the Treasury no later than 180 days after the payment due date, unless exempted by statute or law.

F. The Department of the Treasury, after due process, shall return uncollected public receivables to the Agency. The Center shall write-off or close-out the delinquent accounts receivable and maintain the history of all research and debt collection efforts (including Department of Treasury's research and efforts).

G. Public debt of \$100,000 or greater that is not collected by the Department of the Treasury shall be submitted to the Department of Justice for possible legal action. Documentation shall be maintained that the debt was submitted to the Department of Justice for review.

H. When a debt meeting the criteria listed below is closed-out, a Form 1099C must be filed with the IRS and notification made to the debtor in accordance with the Internal Revenue Code 26 United States Code Section 6050P and IRS regulations 26 Code of Federal Regulations Part 1.60500-P. The 1099C reports the uncollectible debt as income to the debtor. All debts meeting the following criteria should be reported to the IRS.

1. The amount of the defaulted obligation not in dispute accrues to a total of \$600 or more for a calendar year.

2. The obligation is not discharged in a Title II bankruptcy case.

3. The applicable federal statute for enforcing collection of the obligation expired during the tax year, or some form of formal compromise agreement is reached during the year in which the debtor is discharged legally of all or a portion of the obligation (in this case the portion discharged, less interest, is reportable).

030507. Intragovernmental Receivables. Receivables due from NASA Centers or other federal entities are intragovernmental receivables, and should be reported separately from receivables due from public entities. Billings arising from transactions within NASA and with other federal departments and agencies shall be recorded as accounts receivable in the accounting month earned.

A. Bills generated from transactions with other federal departments or agencies shall be collected through automated or regularly established self-collection methods, such as the Treasury's Intragovernmental Payment and Collecting (IPAC) system. When automated collection procedures cannot be used, the Voucher for Transfer Between Appropriations and/or Funds (Standard Form (SF) 1080) will be used as the collection document. Remittance by check from federal agencies shall be used as a last resort, and shall not be allowed between NASA Centers.

B. Disputes between NASA and other Federal Agencies shall be forwarded to the performer's Chief Financial Officer or designee for review. Disputed accounts receivable will be forwarded to the performer's CFO after all research and collection actions have been performed no later than 90 days after the payment due date.

030508. Reporting Requirements.

A. Each Center shall submit a completed "Report on Receivables Due From the Public" to the NASA Office of the Chief Financial Officer at the end of each quarter. Instructions for the preparation of this report can be found at the Treasury FMS website.

B. Reporting Receivables in the Audited Financial Statements. Accounts receivable are reported on the annual audited financial statements of the Agency. Instructions for the reporting of receivables in the annual audited financial statements are contained in Volume ____, "Form and content of the Audited Statements," of this regulation. Receivable amounts are depicted in the Balance Sheet and are disclosed in the Notes to the Financial Statements.

C. Public accounts receivable balances reported on the annual audited financial statements shall be reconciled with the Federal Agencies' Centralized Trial Balance System (FACTS I) accounts receivable from the public balances (attribute nonfederal).

D. Accounts receivable balances due from the public reported on the annual audited financial statements shall be reconciled with receivables reported on the "Report of Receivables Due From the Public."

E. The consolidated annual audited financial statements eliminate intragovernmental accounts receivable balances. Accounts receivable balances shall be eliminated against the trading partner's accounts payable balances. With identification of partner codes on each receivable transaction, elimination of intragovernmental accounts receivable against applicable accounts payable can be accomplished accurately and efficiently.

030509. Quality Assurance.

A. Periodic Monitoring Controls Performed by Centers. The NASA Center Financial Statement Checklist provides Center DCFO(F)s with a convenient summary of key actions and submissions to Headquarters associated with completion of the annual financial statements. Section 1.6, Review Accounts Receivable and Accounts Payable, provides instructions for quarterly reconciling manual records maintained by accounting personnel to the NASA IFM/SAP records. The Checklist is located at <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

B. Receivables shall be reviewed for supportability and validity. Such reviews shall be conducted annually. If a receivable is found to be unsupported, that receivable shall be removed from the accounting records within 10 workdays of its identification as erroneous, invalid, or unsupported.

C. Receivables determined to be supportable and valid that are less than two years old shall be collected, written-off, or closed-out upon completion of due research and debt collection.

D. Exempt from annual review are public receivables under review by the Department of the Justice, and debt in the process of being collected as required by the Federal Acquisition Regulation, Part 32.6, "Contract Debt." However, such exempt debt shall be aggressively managed and monitored for status of collection by the responsible accounting office.

030510. External Reporting. For accounts receivable external reporting requirements, please refer to Volume 8 External Reporting.

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CHAPTER 4**PROPERTY, PLANT AND EQUIPMENT**0401 OVERVIEW

This chapter sets forth general principles, standards, policies, and procedures to assure compliance with statutory and regulatory requirements regarding NASA's property, plant and equipment (PP&E). These requirements ensure effective financial control over NASA owned PP&E.

0402 AUTHORITY AND REFERENCES

040201. NASA property accounting policies and procedures have been developed in accordance with:

- A. Federal Property Management Regulations (FPMR)
- B. SFFAS Number 3, "Accounting for Inventory and Related Property," SFFAS Number 6, "Accounting for Property, Plant and Equipment" (as amended by SFFAS Numbers 11 and 16)
- C. SFFAS Number 8, "Supplementary Stewardship Accounting" (as amended by SFFAS Numbers 11 and 16)
- D. SFFAS Number 10, "Accounting for Internal Use Software"

0403 ROLES AND RESPONSIBILITIES

040301. Center Chief Financial Officers and Deputy Chief Financial Officers, Finance (DCFO (F)s). Center Chief Financial Officers and Deputy Chief Financial Officers, Finance (DCFO (F)s), are responsible for ensuring that adequate financial controls are in place and financial records and reports accurately reflect the status of PP&E under the cognizance of the Center in accordance with these policies. Their responsibilities also include maintaining close liaison with property management and other personnel concerned with property to provide assurance that values reported are accurate.

040302. DCFO(F)s. DCFO(F)s shall ensure independent control of data in the accounting system; the accounting system data will be reconciled to real property and equipment records at least quarterly, by the DCFO (F), Real Property Accountable Officer (RPAO) and Supply and Equipment Management Officer (SEMO). Reconciliations shall be documented and workpapers maintained in a file for review by

auditors and submission to Headquarters as part of the Quality Assurance Evaluation (QAE) process.

0404 DEFINITIONS

040401. Property, Plant and Equipment. In Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment, the Federal Accounting Standards Advisory Board (FASAB) defines PP&E as follows. "Property, plant and equipment consists of tangible assets, including land, that meets the following criteria:

- A. They have estimated useful lives of 2 years or more,
- B. They are not intended for sale in the ordinary course of operations,
and
- C. They have not been acquired or constructed with the intention of being used or being available for use by the entity.

040402. Store Stock (account 1511.0100). Material which is held and repetitively procured, stored and issued on the basis of recurring demand; considered "operating materials and supplies" under SFFAS Number 3, "Accounting for Inventory and Related Property"

040403. Stand-By Stock (account 1512.0200). Material held for emergencies; considered "stockpile materials" under SFFAS Number 3.

040404. Program Stock (account 9995.0900). Material acquired by direct purchase or issue from Stores Stock for a specific program and stored until required by the program; may be "operating materials and supplies" under SFFAS Number 3, unless acquired for use in constructing real property or assembling equipment to be used by NASA.

040405. Leased PP&E Subject to Capitalization. PP&E under a lease where the terms of the agreement are essentially equivalent to an installment purchase of PP&E and the criteria outlined below are met (i.e., lease where substantially all the benefits and risk of ownership are transferred to the lessee).

040406. Noncancelable. PP&E lease cancelable 1) only upon occurrence of a remote contingency, 2) only with the permission of the lessor, 3) only if the lessee enters into a new lease with the same lessor, or 4) only if the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured.

040407. Bargain Price. Price (less than fair market value) at which NASA has the option to purchase leased PP&E that makes exercise of the option almost certain.

040408. Estimated Economic Life. Estimated remaining period during which the PP&E is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

040409. Minimum Lease Payments. Payments NASA is obligated to make or can be required to make in connection with lease PP&E.

040410. Fair Value. Price for which leased PP&E could be sold in an arm's-length transaction between unrelated parties.

040411. Interest Rate Implicit in the Lease. Discount rate that, when applied to the minimum lease payments (less executory costs and unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased PP&E at the inception of the lease.

0405 POLICIES AND PROCEDURES

NASA records all accounting transactions in its integrated accounting system, IFMP/SAP. The general ledger account entries that are generated by each accounting transaction, applicable for NASA accounts can be viewed at:

http://fms.treas.gov/ussgl/tfm_releases/effective05/ussgljune2004.pdf

040501. General Ledger Control. Accounting transactions affecting NASA-owned PP&E, whether NASA or contractor-held, shall be recorded in general ledger asset accounts using fund HSFP01995D in accordance with procedures contained in this chapter. SFFAS' provide for two types of PP&E: general and stewardship. PP&E used in providing goods and services are general. Stewardship PP&E consists of items whose physical properties resemble those of general PP&E, but their nature differs in that their values may be indeterminable or have little meaning, or that allocating the cost of such assets (depreciation) to accounting periods is meaningless. The only type of stewardship PP&E owned by NASA are heritage assets, which are unique because of their historical or natural significance, cultural, educational or artistic importance, or significant architectural characteristics.

040502. Depreciation. In accordance with SFFAS Number 6 and the OMB Bulletin on the "Form and Content of Agency Financial Statements," NASA's financial statements reflect depreciation for its capital assets. Information is collected from NASA databases and contractors and analyzed to calculate depreciation, using the straight-line depreciation method. Depreciation expense is recognized on capitalized general PP&E, except land and land rights of unlimited duration. Depreciation expense for NASA's statements is calculated and accounted for by Headquarters, Office of the CFO, Property Branch.

040503. Capitalization.

A. Capitalization Criteria

1. NASA will capitalize individual items of PP&E which:
 - a. Have a unit acquisition cost of \$100,000 or more for all assets other than internal use software which has a capitalization threshold of \$1,000,000;
 - b. Have an estimated useful life of two years or more;
 - c. Are not intended for sale in the ordinary course of operations, and;
 - d. Have been acquired or constructed with the intention of being used, or being available for use by the Agency.

2. These criteria apply to all PP&E, including modifications, improvements, etc. for financial accountability. Policy regarding physical accountability for real property (land, buildings, other structures and facilities, and leasehold improvements), equipment, and contractor-held property, including dollar thresholds, is contained in the Real Estate Management Program Implementation Manual (NPR 8800.15_), Policy for Real Property Management (NPD 8800.14), NASA Equipment Management Manual (NPR 4200.1_), and Federal Acquisition Regulation (FAR), Part 45, respectively.

3. If an item, as originally installed, is an aggregate of components which could stand alone (as opposed to parts) and are severable, those components should be individually subjected to the capitalization criteria and only those components which meet the criteria shall be originally capitalized. If an item, as originally installed, is an aggregate of components which could not stand alone and are not severable (see collateral and non-collateral equipment at FMR Volume 6, 040505, those components shall be subjected to the capitalization criteria in aggregate.

B. Values.

1. Capitalized values shall include all costs incurred to bring PP&E to a form and location suitable for its intended use, i.e., the total cost to NASA. For example, the cost may include the following, as appropriate for the type of PP&E capitalized:

- a. Amounts paid to vendors or contractors, including fees
- b. Transportation charges to the point of initial

- c. Handling and storage charges
 - d. Labor and other direct or indirect production costs
(for assets produced or constructed
 - e. Engineering, architectural, and other outside services for designs, plans, specifications, and surveys
 - f. Acquisition and preparation costs of buildings and other facilities
 - g. An appropriate share of the cost of the equipment and facilities used in construction work,
 - h. Fixed equipment and related installation costs required for activities in a building or facility.
 - i. Direct costs of inspection, supervision, and administration of construction contracts and construction work,
 - j. Legal and recording fees and damage claims
 - k. Fair values of facilities and equipment donated to the Government
 - l. Material amounts of interest costs paid.
2. Costs of extended warranties should be expensed at the time of payment and not be included in the capitalized value. Where capitalized equipment is traded in for another piece of capitalized equipment, the capitalized value of the new asset will be acquisition cost, including the amount received for the trade-in. Capitalized value will be net of discounts taken

040504. Collateral and Non-Collateral Equipment.

A. Collateral equipment includes building-type equipment, built-in equipment, and large substantially affixed equipment, normally installed as a part of a facility project, whether it is original facility construction or modification. Such a project is considered a single event (see FMR Volume 6, 040503.A.2.).

B. Collateral equipment is not severable and is considered part of the facility project through which it is installed. The cost of collateral equipment which is part of such a project, therefore, shall be included in the value of the project in making the determination as to whether the project meets the capitalization criterion in FMR Volume 6, 040503.A.1. If it is a capital project, the value of the collateral equipment will

be included in the capitalized value. The cost of replacements of the collateral equipment or collateral equipment added to an existing facility will be treated as either a capital improvement or maintenance, depending on the circumstances (see FMR Volume 6, 040506, and 040507).

C. Non-collateral equipment, when acquired and used in a facility or test apparatus, can be severed and removed after construction without substantial loss of value or damage to the equipment or the premises where it is installed. Each such item shall be considered separately in relation to the capitalization criteria. Non-collateral equipment which meets the criteria is recorded in account 1750.0100, Government Owned Government Held Other Equipment.

040505. Capital Improvements.

A. Capital improvements are modifications to existing PP&E which cost \$100,000 or more and extend its useful life by two years or more or enlarge or improve its capacity or otherwise upgrade it to serve needs different from, or significantly greater than, those originally intended.

B. Capital Improvements are capitalized. Modifications that do not meet the capitalization criteria are expensed.

C. Where a replacement occurs due to a capital improvement, the accounts should be appropriately adjusted to remove the values of items replaced (where those original values are \$100,000 or more). If only a portion of the property is being replaced, and that portion is not separately identifiable in the accounting records, the value of the replaced portion should be estimated and the accounts adjusted accordingly. Removal of an item's recorded cost should be treated as a separate accounting transaction from the recording of any additions or replacements. Replacements due to maintenance will be expensed.

D. If an item's acquisition value is below \$100,000 when it is first acquired and it is not, therefore, originally capitalized, it will not be capitalized later, regardless of whether the value of accumulated improvements would, if added, result in a cumulative value of \$100,000 or more. If a single subsequent modification meets the capitalization criteria, that modification only will be capitalized at its acquisition cost. Each modification will be considered a single event.

E. If a reduction in the capitalized value as a result of a modification causes the value of the remainder of the item to drop below \$100,000, the item will be removed from capitalized PP&E.

040506. Maintenance. Expenses incurred to maintain an asset in a useable condition do not meet the criteria for capitalization and are thus charged to expense in the accounting period in which the costs were incurred. SFFAS No. 6 states the following: "For purposes of this standard, maintenance is described as the act of keeping fixed assets

in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.”

040507. Transfers and Donations.

A. SFFAS No. 6 states the following regarding PP&E transferred from other Federal entities: “The cost of general PP&E transferred from other Federal entities shall be the cost recorded by the transferring entity for the PP&E net of accumulated depreciation or amortization. If the receiving entity cannot reasonably ascertain those amounts, the cost of the PP&E shall be its fair value at the time transferred.

B. PP&E transferred from other entities shall be recorded in NASA’s accounts at the amount of reimbursement to the transferor, if it meets the capitalization criteria. When no reimbursement is made, the amount recorded shall be the acquisition cost less accumulated depreciation recorded by the transferor, if the capitalization criteria are met. If the value cannot be reasonably ascertained when no reimbursement is made, the PP&E shall be recorded at its fair value at the time of transfer, if the fair market value is \$100,000 or more. The date the transferor originally acquired the PP&E should be obtained for calculation of depreciation. If the original date of acquisition cannot be obtained, it shall be estimated in coordination with appropriate Center technical and property officials.

C. PP&E transferred to another NASA Center will be recorded as a decrease to the asset accounts of the transferring Center and an increase to the asset accounts of the receiving Center. The amount recorded will be the capitalized cost as previously maintained in the books of the transferring Center. The transfer of capitalized PP&E to other Federal agencies or outside entities will be recorded as a reduction to the asset accounts for the recorded value of the asset(s). The appropriate reduction in the accumulated depreciation will be made by the Headquarters OCFO.

D. With regards to PP&E acquired by donation, SFFAS No. 6 states the following: “The cost of general PP&E acquired through donation, devise, or judicial process excluding forfeiture shall be the estimated fair value at the time acquired by the government.” PP&E acquired by donation which meets the capitalization criteria will be recorded in the appropriate asset account at estimated fair value at the time acquired by NASA.

040508. Recognition.

A. SFFAS No. 6 states the following regarding PP&E recognition: “PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is

delivered to the entity or to an agent of the entity. In the case of constructed PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E.”

B. PP&E shall be capitalized when title passes to NASA. Title shall be considered to be passed when a cognizant government official accepts the property for the Agency. In the case of real property constructed for NASA, it shall be recorded in the general ledger as construction work in progress until the property is accepted to be placed in service by NASA, at which time the work in process balance will be capitalized as general PP&E. The cognizant government official accepting such property is normally the Contracting Officer, or that Officer’s designated representative, who is responsible for notifying the Real Property Accountable Officer of acceptance.

C. Capitalization of construction work in progress will not be delayed pending final acceptance of residual closeout work such as punch lists. At fiscal year-end, special care shall be taken to ensure that any assets meeting capitalization criteria are capitalized regardless of whether there are costs remaining to be paid. However, all appropriate costs including amounts later paid for vouchers unpaid at the time of acceptance will subsequently be included in the total cost of the asset since construction of real property is treated as a single event.

040509. Internal Use Software.

A. Internal use software is software developed or obtained for internal use. Per SFFAS No. 10, *Accounting for Internal Use Software*, internal use software and the related costs are defined as follows: “Internal use software” means software that is purchased from commercial vendors “off-the-shelf,” internally developed, or contractor-developed solely to meet the entity’s internal or operational needs.”

B. SFFAS No. 10 goes on to say “This statement establishes accounting standards for the cost of software developed or obtained for internal use. These include the cost of:

1. Software used to operate an entity’s programs (e.g., financial and administrative software, including that used for project management
2. Software used to produce the entity’s goods and to provide services (e.g., air traffic control and loan servicing)
3. Software that is developed or obtained for internal use and subsequently provided to other Federal entities with or without reimbursement

C. In SFFAS No.10, internal use software’s life cycle is classified into three separate phases: (1) preliminary design, (2) development, and (3) post-implementation/operations. Concerning the determination of whether or not to capitalize costs related to internal use software, the FASAB states the following in SFFAS No. 10:

“The Board believes that the cost of software acquired or developed for internal use that meets the SFFAS No. 6 criterion for general PP&E should be capitalized. Internal use software is specifically identifiable, can have determinate lives of 2 years or more, is not intended for sale in the ordinary course of operations, and has been acquired or constructed with the intention of being used by the entity.”

D. SFFAS No. 10 further discusses internal use software costs to be capitalized:

1. “For internally developed software, capitalized cost should include the full cost (direct and indirect cost) incurred during the software development stage. Such cost should be limited to cost incurred after:

a. Management authorizes and commits to a computer software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function with an estimated service life of 2 years or more

b. The completion of conceptual formulation, design, and testing of possible software project alternatives (the preliminary design stage)”.

2. Such costs include those for new software (e.g., salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants’ fees; rent; and supplies) and documentation manuals.

3. For COTS software, capitalized cost should include the amount paid to the vendor for the software. For contractor-developed software, capitalized cost should include the amount paid to a contractor to design, program, install, and implement the software. Material internal cost incurred by the Federal entity to implement the COTS or contractor-developed software and otherwise make it ready for use should be capitalized.

4. In regard to depreciation, SFFAS 10 states: “Software that is capitalized pursuant to this standard should be amortized in a systematic and rational manner over the estimated useful life of the software. The estimated useful life used for amortization should be consistent with that used for planning the software’s acquisition”. Based on the above, NASA capitalizes software when such software meets the criteria for general PP&E as stipulated in NFMR Volume 6, 040503.A.

5. SFFAS No. 10 states the following regarding integrated software: “Computer software that is integrated into and necessary to operate general PP&E, rather than perform an application, should be considered part of the PP&E of which it is an integral part and capitalized and depreciated accordingly (e.g., airport radar and computer-operated lathes). The aggregate cost of the hardware and software should be used to determine whether to capitalize or expense the costs.”

6. With regard to costs incurred for enhancements to existing internal use software, the FASAB specifies the following in SFFAS No. 10:

a. “The acquisition cost of enhancements to existing internal use software (and modules thereof) should be capitalized when it is more likely than not that they will result in significant additional capabilities”.

b. “The cost of minor enhancements resulting from ongoing systems maintenance should be expensed in the period incurred”.

c. “Costs incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding capabilities should be expensed”.

7. Per SFFAS No.10, material expenditures that add capability or functionality are capitalized while expenditures that result in extending useful life are expensed.

040510. PP&E Not In Use. SFFAS No. 6 established the accounting treatment for PP&E that is no longer in use as follows:

A. General PP&E shall be removed from general PP&E accounts along with associated accumulated depreciation/amortization, if prior to disposal, retirement or removal from service, it no longer provides service in the operations of the entity. This could be either because it has suffered damage, becomes obsolete in advance of expectations, or is identified as excess. It shall be recorded in an appropriate asset account at its expected net realizable value. Any difference in the book value of the PP&E and its expected net realizable value shall be recognized as a gain or a loss in the period of adjustment. The expected net realizable value shall be adjusted at the end of each accounting period and any further adjustments in value recognized as a gain or a loss. However, no additional depreciation/amortization shall be taken once such assets are removed from general PP&E in anticipation of disposal, retirement, or removal from service.

B. For NASA-held equipment, any capital assets identified as not in use shall be promptly removed from the asset accounts. Inactive real property coded in the NASA Real Property Database (NRPDB) as inactive or not in use by NASA, including Reimbursable, Stand-by, Mothballed, Abandoned, and Demolished will also be promptly removed from the capitalized PP&E accounts. If NASA returns such property to active use, it will be returned to capitalized status at the capitalized value in effect when it was removed, plus the value of any modifications of \$100,000 or more made to return it to active status.

C. Contractors are required to provide data on the values of contractor-held PP&E not in use on the annual NF 1018, Property in the Custody of

Contractors. These data are used to remove the value of contractor-held PP&E not in use from NASA's asset accounts.

040511. Borrowed or Loaned PP&E. PP&E borrowed (loaned-in) from other organizations is not recorded in NASA's financial records. PP&E loaned (loaned-out) to other organizations without transfer of title no longer provides service in NASA's operations and shall be removed from the accounts.

040512. Heritage Assets.

A. SFFAS No. 8, Supplementary Stewardship Reporting, defines heritage assets as follows: "Heritage assets are PP&E that are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic (e.g., aesthetic) importance; or significant architectural characteristics."

B. Per SFFAS No. 8, heritage assets are accounted for as follows: "Heritage assets shall be quantified in terms of physical units (for example, number of items in collections or the number of national parks). No asset amount shall be shown on the balance sheet of the Federal financial statements for heritage assets. The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets shall be considered an expense in the period incurred when determining the net cost of operations. The cost shall include all costs incurred to bring the heritage asset to its current condition and location."

C. Heritage assets used to serve both heritage and government operations functions are considered multi-use heritage assets if the predominant use is in general government operations. SFFAS No. 8 explains the accounting treatment for multi-use heritage assets as follows:

1. "The cost of renovating, improving, or reconstructing operating components of heritage assets used in government operations shall be included in general PP&E. The renovation, improvement, or reconstruction costs to facilitate government operations (for example, installation of communication wiring or redesign of office space) would be capitalized and depreciated over its expected useful life. The cost should not be depreciated over an unrealistically long life".

2. "Costs of renovating or reconstructing the heritage asset that cannot be associated directly with operations shall be considered heritage asset costs and included as expense in calculating net costs".

D. Per SFFAS No. 8, heritage assets shall be reported as required supplementary stewardship information accompanying the financial statements of the Federal government and the component units of the Federal government responsible for such assets.

E. When capitalized assets are identified as heritage assets by a NASA Center, their values shall be removed from the asset accounts and a copy of the Journal Voucher for the transaction shall be forwarded to NASA Headquarters, Office of the CFO, Property Branch, for retention as documentation for the preparation of the annual required supplementary stewardship information accompanying the financial statements. Removal of real property from the asset accounts as heritage assets shall be coordinated with the Real Property Accountable Officer, to ensure that the NASA Real Property Inventory also reflects the heritage status of the property.

F. Should a heritage asset be acquired or constructed, the cost shall be recognized by NASA as an expense (Cost of Heritage Assets) in the period incurred. NASA Headquarters, Office of the CFO, Property Branch, should be notified of the existence of the asset by memorandum for retention as documentation for the preparation of the annual required supplementary stewardship information. The Real Property Accountable Officer shall be notified of the acquisition of any real property heritage asset to ensure the necessary data is recorded in the NASA Real Property Inventory.

G. Contractors are required to provide information on heritage assets in their possession in their annual NF 1018, Property in the Custody of Contractors as detailed in Volume 6, Chapter 4, Appendix .

0406 NASA HELD REAL PROPERTY

This section prescribes accounting policies and procedures for NASA-owned and held real property.

040601. Financial Controls.

A. Each real property acquisition, addition, improvement, alteration, rehabilitation, or replacement that meets the criteria in NFMR Volume 6, 040503. will be treated as a single event and all costs incurred in relation to that event, regardless of when they are paid, will be recorded in general ledger accounts listed in NFMR Volume 6, 040602.A. The total cost of each single event should be used to determine whether it meets the capitalization criteria in NFMR Volume 6, 040503, regardless of when payment was made. For example, if a building is accepted prior to the end of the fiscal year, meets the capitalization criteria, and is capitalized, any related remaining cost paid in the next fiscal year will be included in the capitalized value. Similarly, if an item does not meet the capitalization threshold at the end of the fiscal year, but related remaining costs paid the next fiscal year result in the total cost of the asset meeting the capitalization threshold, the entire cost of the asset should be capitalized in the next fiscal year (assuming the other capitalization criterion are met). The total cost of a project, e.g., a building, will be considered a single event regardless of whether the work was performed on multiple contracts.

B. Real property accounts will be maintained at a summary level to simplify reconciliation with amounts recorded in detailed property records. Accounting records should not duplicate detailed property records maintained by Real Property Accountable Officers in accordance with NPR 8800.15. NASA's capitalization criteria (NFMR Volume 6, 040503.) differ from recording thresholds used for real property management. To insure adequate internal control, the Deputy Chief Financial Officer, Finance (DCFO (F)) shall ensure independent control of the data in the accounting system.

C. Reconciliation's will be performed in accordance with FMM 9251-3. Resulting adjustments to either set of records should be made after joint review by both the Real Property Accountable Officer and the DCFO (F).

D. The cost of facilities constructed by or through foreign governments or in foreign countries under NASA contracts will be capitalized in accordance with the title rights contained in formal agreements.

040602. Real Property Accounts.

A. Accounts. Capitalized real property will be classified under the following accounts, as appropriate:

1. 1711.0000 Land and Improvements to Land,
2. 1730.0100 Buildings,
3. 1740.0100 Other Structures and Facilities, 1820.0100 Leasehold Improvements

B. Classification.

1. Land and Improvements to Land. - includes costs of land and improvements to land.

2. Buildings. - includes costs of buildings, improvements to buildings, and fixed equipment required for the operation of a building which is permanently attached to and a part of the building and cannot be removed without cutting into the walls, ceilings or floors. Examples of fixed equipment required for functioning of a building include plumbing, heating and lighting equipment, elevators, central air conditioning systems and built-in safes and vaults.

3. Other Structures and Facilities. - includes costs of acquisitions and improvements of structures and facilities other than buildings; for example, airfield pavements, harbor and port facilities, power production facilities and distribution systems, reclamation and irrigation facilities, flood control and navigation aids, utility systems (heating, sewage, water and electrical) when they serve several buildings or structures, communications systems, traffic aids, roads and bridges, railroads, monuments and memorials and nonstructural improvements such as sidewalks, parking areas and fences.

4. Leasehold Improvements. - includes NASA-funded costs of long-term capital improvements to leases, rights, interests, and privileges relating to land not owned by NASA, such as easements, right-of-ways, permits, use agreements, air rights, water rights, and mineral rights. Leasehold improvements also include NASA-funded costs of improvements made to buildings, structures and facilities, as well as easements and right-of-way, where NASA is the lessee or the cost is charged to a NASA contract.

5. The cost of NASA-owned buildings and other structures and facilities and related improvements located on land not owned by NASA will be included in Buildings (1730.0100) or Other Structures and Facilities (1740.0100) as appropriate.

040603. Construction work in progress. DCFO (F)s are responsible for identifying costs to be capitalized and maintaining financial records for each capital facility project in progress. These records are the source for entries to the general ledger work in progress accounts.

A. Costs will be recorded in accordance with NFMR Volume 7, Cost. Facility projects meeting the requirements for work in progress should be separately identified in the accounting system through job orders, contract numbers or a work order system.

B. The Contracting Officer or his/or her Technical Representative, in consultation with the Real Property Accountable Officer, is responsible for furnishing information to identify costs applicable to construction work in progress.

C. Procedures should be established to ensure that a collective decision is made by the Center real property and financial management offices, at the outset of work, as to the nature of the work and its proper accounting treatment, i.e., costs of repairs and maintenance are expensed and not included in work in progress (WIP), while costs of items to be capitalized are accumulated in work in progress until the asset is completed. This analysis should extend to individual tasks where necessary, since some work under a particular contract or work order may be of a capital nature and other work may not.

D. Procedures shall ensure that the costs of facilities projects are capitalized in accordance with NFMR Volume 6, 040503.F.2. and the related amounts removed from work in progress. A review of the physical completion status of individual facilities projects shall be conducted with cognizant Center real property officials sufficiently in advance of the end of each quarter of the fiscal year; so that necessary entries can be made to properly reflect their current status.

040604. Property not in use. As required by SFFAS Number 6, real property not in use by NASA will be removed from the asset accounts NFMR Volume 6, 04503.H. The Center Real Property Accountable Officer, in consultation with the Center Facility Utilization Officer or Facility Utilization Board, shall notify the DCFO (F) when real property for which the Center is accountable (including contractor-held real property) is no longer being used for NASA purposes, including property becoming reclassified as Reimbursable, Stand-by, Mothballed, Abandoned, or Demolished. Based upon this notice, the DCFO (F) shall remove the capitalized cost of the real property from the accounting records. The Real Property Accountable Officer shall also notify the DCFO (F) if such property is returned to active NASA use so it can be returned to capitalized status in the accounting records.

040605. Disposal. When real property has been declared excess (excluding property in foreign countries) and accountability transferred to another Federal agency or title has been transferred to a non-governmental entity, reimbursements related to the transfer will be deposited to Special Fund Account 805005.2 (Land and Water Conservation Fund), through September 30, 2015. Proceeds from sales of surplus real property in foreign countries will be deposited to account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

040606. Quality Assurance Processes. These processes only apply to NASA Held Real Property. See NFMR, Volume 6, Chapter 0409 “NASA Property in the Custody of Contractors and Under Grants and Cooperative Agreements” for processes related to Contractor Held Real Property.

A. On a monthly basis, a property accountant shall:

1. Enter a journal voucher for the costs recorded in the accounting system (SAP) for the Work Breakdown Structure (WBS) (or contract) for real property projects to be capitalized.

2. Enter a journal voucher for the NF 1045 vouchers (NASA Real Property Transaction Voucher(s)) received from the Real Property Accountable Officer. The accountant shall:

a. Ensure that any transaction to be capitalized is in accordance with NFMR, Volume 6, 040601. If a transaction should not be capitalized, the accountant will instruct the real property office to flag the item as “non capital” in the real property database.

b. Confirm that amounts on the voucher agree with costs recorded in the general ledger for that project WBS. If they do not agree, the accountant shall document and retain an explanation of the variance.

c. Remove amounts previously capitalized as WIP for the capitalized project. (Note: If current year costs plus amounts previously capitalized as WIP are less than the total amount to be capitalized, the accountant will record a prior period adjustment (SGL account 7400.3730), document the reason for the adjustment and provide a written explanation to NASA Headquarters, Office of the CFO, Property Branch.

3. Run the FBL3N SAP Query for G/L accounts 6100.3200 – 6100.3299 for the current month, to determine if any projects have incurred expenses not identified by the project office which should be capitalized. (Note: if any expenses were recorded to the wrong account number, e-mail or hardcopy notification shall be provided to the appropriate Center individual. A copy of these communications shall be retained.)

4. Submit to NASA Headquarters, Office of the CFO, Property Branch, a listing of all real property transactions posted to the general ledger.

B. At the end of each quarter, a property accountant shall meet with the Real Property Accountable Officer or other responsible individual and document:

1. Which projects will be complete by the end of the quarter, and thus will be capitalized at that time;

2. Any new projects, their Work Breakdown Structure (or Contract Number), estimated value which will be capitalized and estimated completion date;

3. A status update of any on-going projects to identify changes in estimated value and completion date and obtain the Real Property Accountable Officer's validation of amounts recorded as work in progress for these on-going projects.

C. At the end of the quarter, a property accountant shall run the Capitalization Reconciliation Report from the NASA Real Property Database (<http://facility.hq.nasa.gov/NRPDB>) and reconcile the balances to the SAP Trial Balance for Fund HSFP01995D for real property accounts.

D. Additional quality control procedures can be found in the "Periodic Monitoring and Controls Performed by Centers" at the following web page: <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

0407 NASA-OWNED AND HELD MATERIALS

This section prescribes accounting policies and procedures for NASA-owned and held materials.

040701. Recording Materials.

A. Materials will be recorded at acquisition cost using one of the valuation methods (i.e., specified in SFFAS No. 3 which include first-in, first-out (FIFO); weighted average; moving average cost flow or another valuation method which approximates one of those methods. Acquisition costs shall include all appropriate purchase and production costs incurred to bring the items to their current condition and location. Cash discounts, when taken, are credited to the appropriate cost account 6100.9997. Donated materials shall be valued at their fair value at the time of donation.

B. Materials acquired through exchange of nonmonetary assets (e.g., barter) shall be valued at the fair value of the asset received at the time of exchange. Each replenishment of stock through procurement or transfer will require a redetermination of the stock unit price when the weighted moving average is used.

040702. Timing of Recording. General ledger accounts should be updated on a monthly basis. Adjustments to the general ledger based on reconciliation's with the materials records should be recorded to coincide with month-end closeouts and the annual reporting of materials.

040703. Financial Controls.

A. Inventories, Government-Owned/Held accounts will be maintained in each Center's general ledger for recording of materials. Entries to the general ledger will be made on the basis of data provided by the Center Supply and Equipment Management Officer (SEMO). The Inventories, Government-Owned/Held accounts will be supported by subsidiary ledgers for each type of account.

B. Entries will be recorded in general ledger accounts:

1. 1511.0100, Inventories, Store Stock, Government-Owned/Held,
3. 1512.0100, Inventories, Stand-by Stock, Government-Owned/Held
2. 9995.0900, Inventories, Program Stock, Government-Owned/Held.

C. Detailed records maintained by the Center SEMO and the general ledger maintained by the DCFO (F) will be reconciled annually.

040704. Accounts and Federal Supply Classification (FSC) Groups. The total of the subsidiary accounts must equal the general ledger control account 1511.0100, 1512.0100, or 9995.0900. New accounts shall not be established unless approved by the Director, Financial Management Directorate, and Director, Logistics Management Office, NASA Headquarters. Each subsidiary account is related to specific Federal Supply Classification (FSC) groups as shown in, Object Class 26XX, Supplies and Materials.

040705. Acquisitions, Issues, Adjustments, and Returns.

A. Acquisition of Material Stocks. Additions to stock acquired by purchase will be recorded in general ledger accounts 1511.0100, 1512.0100, or 9995.0900, in accordance with FMR Volume 6, 04801 and coded in the Center accounting system with the appropriate 26XX object class. Additions to stock by transfer from other NASA Centers or Federal agencies will be recorded in general ledger accounts 1511.0100, 1512.0100, or 9995.0900.

B. Issues. Items requisitioned from stock will be costed based upon data supplied by the Center SEMO.

C. Adjustments.

1. Changes in material balances caused by or resulting from physical differences, errors, losses, damage and destruction, etc., will be recorded in accounts 1511.0100, 1512.0100, or 9995.0900 with offsetting entries to account 9995.0901 when Program Stock, or 7210.0100 or 7290.0000 as appropriate when Stores Stock or Stand-by Stock. Headquarters, Office of the CFO, Property Branch may reverse this entry and process these losses as a debit to 6790.0000 if deemed immaterial. If the entry is reversed, the Center shall be notified. Adjustments to Stores Stock and Stand-by Stock should be reflected in appropriated fund accounts as an expense or a refund, as appropriate.

2. Financial records will be adjusted based on data provided by the Center SEMO, to reflect adjustments to the property records approved by designated officials in accordance with the NASA Materials Inventory Management Manual (NPR 4100.1_).

D. Return to Stock. Items returned to stock for credit or without credit will be recorded in accounts 1511.0100, 1512.0100, or 9995.0900 at the lower of original or current issue price.

1. The return of items issued from Stores or Stand-by Stock will be recorded as a debit to 1511.0100, or 1512.0100 and a credit to 6100.8600 when a refund is given to the returning activity's appropriated fund accounts.

2. The return of items issued from Program Stock will be recorded as a debit to 9995.0900 with a credit to 9995.0901; no refund to the returning activity's appropriated funds will be recorded.

3. Credits to appropriated fund accounts for Stores or Stand-by Stock returns will not be processed when the initial activity charged cannot be determined. Returns will be recorded at a zero unit cost and the weighted moving average recalculated.

040706. Disposal.

A. Exchange/Sale. When items are traded in, the value of the item traded in will be removed from the 1511.0100, 1512.0100, or 9995.0900 accounts with an offset to account 6100.8600, or 9995.0901 as appropriate. Items purchased will be recorded in the 1511.0100, 1512.0100, or 9995.0900 accounts in accordance with NFMR Volume 6, 040807.A. at acquisition cost, including the amount received for the trade-in. Additional guidance is provided in Volume 6, 041002

B. Disposal. Disposal of materials will be recorded as a reduction to the appropriate accounts with offsetting entries to Account 9995.0901 for Program Stock or 7210.0100 or 7290.0000 as appropriate for Stores and Stand-by Stock. NASA Headquarters, Office of the CFO, Property Branch may reverse this entry and process these losses as a debit to 6790.0000 if deemed immaterial. If the entry is reversed, the Center shall be notified.

040707. Quality Assurance Procedures.

A. Monthly, a property accountant shall reconcile data in the general ledger materials and supplies accounts with that in the Logistics System. If the data do not agree, the accountant shall document a variance explanation. If amounts in the logistics system need to be corrected, email or hardcopy shall be provided to the appropriate Center individual to correct the amounts. These communications shall be retained until correct has been verified.

B. Quarterly, the property accountant shall submit, to NASA Headquarters, Office of the CFO, Property Branch, the current monthly reconciliation (with supporting documentation of the general ledger materials and supplies accounts with the Logistics System. If the data do not agree, a documented variance explanation shall be included in the submission to NASA Headquarters.

C. Each quarter, a certification, signed by the DCFO (F), shall be submitted to NASA HQ, Office of the CFO, Property Branch, that the quality assurance procedures outlined above in Steps A. and B. were completed.

D. If reconciling items were noted in Step b. above prepare corrective journal vouchers to adjust the appropriate accounts and post the journal vouchers in a timely manner.

E. Additional quality control procedures can be found in the “Periodic Monitoring and Controls Performed by Centers” at the following web page: <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

0408 NASA-OWNED AND HELD EQUIPMENT

This section prescribes accounting policies and procedures for NASA-owned and held equipment.

040801. Financial Controls.

A. Capitalized equipment costs will be recorded in general ledger control account 1750.0100, Government Owned Government Held Other Equipment.

B. The purchase of capitalized equipment will be recorded with the appropriate 31XX object class codes in the Center’s accounts (FMM 9100)

C. Financial management records will not duplicate detailed property records maintained in the NASA Equipment Management System (NEMS) by the Center SEMO in accordance with NPR 4200.1.

D. NASA's capitalization criteria (NFMR Volume 6, 040503) differ from thresholds used for equipment management. Reconciliation's will be performed in accordance with (NFMR Volume 6, 040302).

E. The Center Chief Financial Officer (CFO) and Deputy CFO of Finance (DCFO(F)) are responsible for capturing and capitalizing the actual costs of NASA-Owned and Held Equipment in the accounting system for financial reporting purposes. Specifically, property accountants post the journal vouchers relating to equipment at the Centers. The Property Accountants also prepare and submit quarterly reports to the NASA Headquarters, Office of the CFO, Property Branch. As part of the quarterly reporting process, the property accountants reconcile transactions in the Logistics System with those recorded in the general ledger for the equipment account(s). The NASA Headquarters, Office of the CFO Property Branch validates totals for equipment on Center spreadsheets to the general ledger and calculates and reports depreciation expense for equipment. The NASA Headquarters Office of the CFO Financial Management Directorate posts depreciation expense for equipment in the accounting system and prepares the financial statements and related footnotes.

040802. Exchange/Sale.

A. Items may be sold and the proceeds applied in whole or partial payment for similar item replacements. FPMR 101-46.302 states that proceeds from sales of equipment disposed of in accordance with the exchange/sale authority in FPMR Part 101-46 must be accounted for in accordance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Procedures, Section 5.5D. The guidance provides that all proceeds from the sale of equipment and materials will be available during the fiscal year in which the property was sold and for one fiscal year thereafter for obligation for the purchase of replacement property.

B. The disposition of funds collected from the sale of equipment shall be as follows:

1. If it is determined at time of collection that the funds will not be used to purchase a replacement item, the funds shall be deposited to account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

2. If it is determined at time of collection that the funds will be used to fund the replaced item, the funds shall be deposited in 80F3875 (Budget Clearing Account) and reimbursable procedures will be used.

C. In this case, a reimbursable agreement will be established for the amount of the funds collected from sale of the equipment. The agreement funds a portion of the replacement purchase up to the amount collected from the sale of the old equipment. After payment is made for the equipment, the collection deposited in account 80F3875 is transferred for reimbursement to the procuring appropriation. The portion of the deposit account applicable to replacement purchases should be reviewed on a quarterly basis by the DCFO(F) office; funds exceeding time parameters in NFMR Volume 6, 041002.A, or otherwise identified as not being used for replacement purchases shall be transferred to account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

040803. Quality Assurance Processes.

A. Monthly, a property accountant shall enter a journal voucher in the accounting system (SAP) based on the Monthly NEMS Report of Transactions to Record. The accountant shall analyze the backup documentation from the SEMO to validate NEMS information to be recorded.

1. The amounts shown on the NEMS report for new acquisitions should agree with costs recorded in the general ledger for those transactions. If amounts do not agree, variance explanations shall be documented.

2. If the equipment item is for a capital lease (based on the review of the documentation), the item shall be recorded as specified in NFMR Volume 6, 0412 and e-mail or hardcopy notification shall be provided to the appropriate Center individual to correct NEMS. These communications shall be retained until correction has been verified.

3. Any transactions on the NEMS report which originally occurred in a previous fiscal year (i.e. Found on Station) shall be recorded as prior period adjustments with a debit or credit to 7400.3730. Reasons for adjustment shall be documented and a copy provided to NASA Headquarters, Office of the CFO, Property Branch.

4. A listing of equipment transactions recorded during the month in the general ledger shall be provided to NASA Headquarters, Office of the CFO, Property Branch.

B. A property accountant shall run the FBL3N SAP Query for G/L account 6100.3100 (for transactions over \$100,000) for the current month to determine if any transactions not identified in NEMS should be capitalized. If any expenses were recorded to the wrong account number, e-mail or hardcopy notification shall be provided to the appropriate Center individual. These communications shall be retained until correction has been verified.

C. A property accountant shall review transfer documents received during the month and confirm that they were properly recorded in the general ledger. If any transactions were not properly recorded, e-mail or hardcopy notification shall be provided to, the appropriate Center individual at your center. These communications shall be retained until correction has been verified.

D. At the end of each quarter a the property accountant shall meet with the Center, Supply and Equipment Management Officer (SEMO) to determine if any items have been received but are not yet tagged in NEMS. The accountant shall ensure that any untagged items, meeting NASA's capitalization criteria, are appropriately recorded in the general ledger.

E. At the end of each quarter a property accountant shall complete reconciliation between data shown on a NEMS query of items active with that recorded in the general ledger under Fund HSFP01995D for the equipment account 1750.0100.

F. Additional quality control procedures can be found in the "Periodic Monitoring and Controls Performed by Centers" at the following web page: <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

0409 NASA PROPERTY IN THE CUSTODY OF CONTRACTORS AND UNDER GRANTS AND COOPERATIVE AGREEMENTS

040901. Purpose. This section sets forth accounting policies and procedures for NASA property, plant and equipment (PP&E) and Operating Materials and Supplies (OMAS) in the custody of contractors as well as PP&E and OMAS acquired or furnished under NASA grants and cooperative agreements with educational institutions and nonprofit organizations and describes how data from contractors' records are reported and entered in NASA's accounts. NASA-owned, contractor-held PP&E and OMAS used in the performance of a contract may be NASA-furnished or contractor-acquired. The instructions below apply only to contractors except where they are specifically identified as applicable to grants and non-commercial cooperative agreements, i.e., "recipients".

040902. Authority and References. This policy is consistent with the requirements established in:

- A. SFFAS No. 3, Accounting for Inventory and Related Property
- B. SFFAS No. 6, Accounting for Property, Plant and Equipment
- C. NASA FAR Supplement Part 1845 Government Property;
Subpart 1845.7101-1 Property Classification

1. Federal Acquisition Regulation (FAR), part 45, subpart 1845.71 of the NASA FAR Supplement (NFS) provides a definition of property, plant and equipment. In addition, the contractor's reporting requirements for property reported under cooperative agreements with commercial firms explained.

2. Property Management standards for educational institutions and nonprofit organizations are set forth in OMB Circular A-110 and the NASA Grant and Cooperative Agreement Handbook, NPR 5800.1 (14 CFR 1260 and 1274). Other information is available on the internet at http://ifmp.nasa.gov/codeb/library/contractor_info.htm.

040903. Accounting Authoritative Guidance.

- A. Operating Materials and Supplies

1. SSFAS No. 3 defines operating materials and supplies as follows: “operating materials and supplies consist of tangible personal property to be consumed in normal operations. The cost of goods shall be removed from operating materials and supplies (i.e., the asset account) and reported as an operating expense in the period they are issued to an end user for consumption in normal operations. Excluded are (1) goods that have been acquired for use in constructing real property or in assembling equipment to be used by the entity, (2) stockpile materials, (3) goods held under price stabilization programs, (4) foreclosed property, (5) seized and forfeited property, and (6) inventory property. Goods that have been acquired for use in construction of real property or in assembling equipment to be used by the entity are excluded.

B. Property, Plant, and Equipment

1. SSFAS No. 6 “Accounting for Property, Plant, and Equipment”, defines and asset as follows:

a. Property, plant, and equipment consist of tangible assets, including land that meets the following criteria:

b. They have an estimated useful life of two years or more;

c. They are not intended for sale in the ordinary course of operations;

d. They have been acquired or constructed with the intention of being used, or being available for use by the entity.

2. SSFAS No 6 Paragraph 26 states, “Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use.” For example, the cost of acquiring property, plant, and equipment may include:

a. Amounts paid to vendors

b. Transportation charges to the point of initial use

c. Handling and storage costs

d. Labor and other direct or indirect productions costs
(for asset produced or constructed)

e. Engineering, architectural, and other outside services for designs, plans, specification, and surveys

- f. An appropriate share of the cost of the equipment and facilities used in construction work (the amount of overhead charged to NASA by their contractors includes these costs)
- g. Fixed equipment and related installation costs required for activities in a building or facility (the amount of overhead charged to NASA by their contractors includes these costs)
- h. Acquisitions and preparation cost of buildings and other facilities;
- i. Direct costs of inspection, supervision, and administration of construction contracts and construction work;
- j. Legal and recording fees and damage claims; and
- k. Material amounts of interest costs paid.

C. Depreciation

- 1. SSFA No. 6, Paragraph 35 states, “Depreciation expense is calculated through the systematic and rational allocation of the cost of general PP&E less its estimated salvage or residual value, over the estimated useful life of the general PP&E. Depreciation expense shall be recognized on all general PP&E, except land and land rights of unlimited duration.”
- 2. Depreciation for all NASA assets is calculated at NASA Headquarters.
- 3. Most Federal government assets are not typically scheduled to be disposed of at the end of their lives for any (or any significant) salvage or residual value.

D. Improvements and Extension of Useful Life

- 1. SSFAS No. 6, Paragraph 37 provides guidance on how to account for improvements, repairs, and maintenance cost. Costs which either extend the useful life of existing PP&E, or enlarge or improve its capacity shall be capitalized and depreciated or amortized over the remaining useful life of the associated general PP&E.

040904. Responsibilities.

- A. NASA is responsible for having an adequate internal control system in place for validating the accuracy, reliability, existence and completeness of

data received from contractors to ensure it is accurate and reliable for financial statement reporting.

B. NASA Contracting Officer or Delegate

1. The contracting officer is responsible for including property reporting requirement in the each contract that involves contractor held property. These instructions will include the reporting period (monthly or annually) and the due dates of the reports.

2. Oversight of NASA contractors is with the NASA Contracting Officer or delegate, which is often the Property Administrator on site at the respective contractor's locations. The Contracting Officer or delegate is responsible for evaluating a contractor's management and control of government property and determining whether the contractor is effectively complying with contract provisions.

3. The role of Contracting Officer or delegate includes evaluating the 15 functions in the Property System Analysis (PSA), as outlined in the DoD Manual for the Performance of Contract Property Administration, DoD 4161.2-M.

4. The Contracting Officer or delegate is also responsible for reviewing, indicating system status and signing the NF 1018 submitted annually by all NASA contractors.

B. NASA Contractors

1. Contractors are responsible for ensuring they accurately and effectively maintain and report all NASA-owned, contractor-held property to NASA Headquarters on a timely basis, in accordance with monthly and annual reporting requirements.

2. Contractors shall retain documentation that supports the property reported on the NF 1018 in accordance with FAR subpart 4.7, Contractor Records Retention. The NF 1018 provides critical information for NASA financial statements and property management.

3. Contractors holding for the highest dollar value of NASA-owned, contractor-held property, as determined by NASA, are required to submit monthly financial packages to NASA Headquarters, Office of the CFO, Property Branch, reporting all NASA-owned, contractor-held property to assist NASA in complying with OMB Bulletin No. 01-09. All other contractors are required to submit the NF 1018 on an annual basis.

C. NASA Center CFO and DCFO(F)

1. Centers will be responsible for review and validation of all NF 1018 property reports received.

2. Centers will assist the NASA Headquarters, Office of the CFO, Property Branch in reviewing Center contracts interim property reports.

D. NASA Headquarters, Office of the CFO, Property Branch

1. The NASA Headquarters, Office of the CFO, Property Branch, along with the assistance of the Centers, is responsible for capturing all contractor-held property costs from the contractor's submissions and appropriately classifying data for financial reporting purposes. These contractors must submit these reports for month end by the 21st of the following month. The NASA Headquarters, Office of the CFO, Property Branch with the assistance of the Centers, is responsible for reviewing data received to reasonably assure that PP&E and OMAS are presented fairly in NASA's financial statements.

2. To ensure data submitted by the contractors appears reasonable and complete the NASA Headquarters, Office of the CFO, Property Branch under the CFO must validate all monthly reports received.

040905 Definitions

A. Acquisition Cost. Acquisition cost is the original purchase, construction or development cost, and includes all costs incurred to bring the property to a form and location suitable for its intended use, net of (less) any purchase discounts.

B. Contractor-Held Property. Contractor-Held Property is NASA-owned property in the possession of a contractor, and includes NASA furnished property, contractor-acquired property or contractor-fabricated property.

C. PP&E. Property, Plant and Equipment is composed of tangible assets that

1. Have an estimated useful life of 2 or more years;
2. Not intended for sale in the ordinary course of business;
3. Intended to be used or available for use by the entity.

D. Operating Materials and Supplies (OMAS). Operating Materials and Supplies is composed tangible personal property to be consumed in normal business operations.

E. Modification. An alteration of an existing piece of property. A modification may or may not increase the useful life of the property being modified.

Modifications may extend the useful life, enlarge or improve its capacity or, change or enhance performance or functionality of the item. Only modifications that meet the capitalization criteria are added to the book value of the asset.

F. Fabrication. Fabrication the a process of building or constructing a part or end item (i.e., satellites, space shuttle, space station, etc.). Multiple materials and supplies can be used in a fabrication.

G. Work In Process (WIP). Work-In- Process consists of the full costs, direct and indirect, (i.e., procured materials, labor, travel, etc.) related to the design and fabrication of an asset to bring it to a form and location for its intended use, until such time as it is considered operational.

H. Special Tooling Equipment. Equipment and manufacturing aids (and their components and replacements) of such a specialized nature, that, without substantial modification or alteration, their use is limited to development or production of particular supplies or parts, or performance of particular services. Examples include specialized jigs, dies, fixtures, molds, patterns, taps and gauges.

I. Special Test Equipment. Equipment used to accomplish special purpose testing in performing a contract, fabrication, or maintenance of items or assemblies of equipments.

J. Agency-Peculiar Equipment. Completed items, systems and subsystems, spare parts and components unique to NASA aeronautical and space programs. Examples include research aircraft, reusable space vehicles, ground support equipment, prototypes, and mock-ups.

K. NASA Form (NF) 1018. The NASA form NF1018 is the official document for contractor reporting of all NASA PP&E in their possession. NASA's financial statement account balances are updated based upon NF 1018 data. All contractors who have NASA property in their custody are required to submit an NF 1018 annually. The NF 1018 reports data as of September 30 and is due on October 15.

L. Monthly property report – Designated contractors (those holding the highest dollar value of NASA-owned, contractor-held PP&E) are required to submit a monthly financial package on the 21st of the month to NASA Headquarters, Office of the CFO which reports PP&E in their possession.

040906. Policies and Procedures

A. Classification of Assets – PP&E vs. OMAS

1. NASA shall classify all tangible personal property to be consumed in normal business operations as OMAS. Materials, which are consumable, are reported as operating materials and supplies and expensed as consumed. Consumables would include items less than \$100,000 or items greater than \$100,000 that do not have an estimated useful life of 2 years or more. However, materials, including spare parts, which meet the capitalization criteria (i.e., cost is \$100,000 or more and useful life is 2 years or more) are classified as re-usable and should be reported as PP&E, capitalized, and depreciated over the remaining useful life of the end asset they support (i.e., shuttle, space station, other programs, etc.).

2. When OMAS is issued to an end user for consumption in normal operations, the recorded value shall be removed from OMAS (i.e., the asset account) and reported as an operating expense in the same reporting period they were issued. Tangible personal property for use in constructing real property or assembling equipment, with a useful life of two years or more, and with a value of \$100,000 or more should not be reported as OMAS.

3. If the property will be consumed or otherwise lose its individual identity during the construction or fabrication of an item, the property will be recorded as part of the item's WIP. If the property will retain its separate identity following construction or assembly of the associated item, it will be recorded as PP&E upon receipt.

4. NASA shall classify all tangible personal property as PP&E that (1) has an estimated useful life of 2 or more years, (2) is not intended for sale in the ordinary course of business, (3) has a value equal to or greater than \$100,000, and (4) is intended to be used or available for use by the entity.

B. Valuation of Assets

1. Work- in-Process.

a. NASA shall classify all tangible personal property under construction (i.e., not complete) as WIP. All costs (i.e., direct and indirect) are accumulated in a WIP account relating to the acquisition of constructed PP&E. All costs incurred to acquire and bring the PP&E to a form and location suitable for its intended use should be accumulated in the WIP account. See the "unit acquisition cost" methodology discussion in paragraph 041106.B.2. below.

b. When an individual PP&E item is completed the total cost of the item will be transferred from the WIP account to the general PP&E account. Piece parts that are completed prior to the end asset being complete will remain in WIP until the end asset is complete and functional, at which time all piece parts will be transferred out of WIP to general PP&E. The individual end item should be recorded at "unit acquisition cost".

2. Property Plant & Equipment. NASA shall record all PP&E at “unit acquisition cost” as defined by the *NASA FAR Supplement Part 1845 Government Property; Subpart 1845.7101-3*, which includes all costs incurred to acquire and bring the PP&E to a form and location suitable for its intended use. These costs include, but are not limited to, any amounts paid to vendors that represent the cost of delivered and accepted end items, transportation charges, handling and storage costs, etc. These costing principles apply to all end items, such as items acquired on a fixed price basis, including fixed price commercial, off-the shelf items. Where contractors earn fees related to building or acquiring NASA PP&E, the acquisition cost to NASA of such PP&E includes a pro-rata portion of fees earned.

3. Modifications NASA shall capitalize and depreciate all modifications that meet the capitalization threshold for tangible personal property and (1) extend the useful life of existing PP&E, or (2) enlarge, improve, or enhance its capacity.

a. All modifications that meet the capitalization criteria will be linked to the end item (parent-child relationship) in the contractor’s property accounting system. Modifications that meet the capitalization threshold of \$100,000, but do not extend the useful life of the asset, or expand the capability of the end-item should be considered repairs and maintenance and expensed as costs are incurred. This could include an overhaul, rehab or refurbishment.

b. Modifications under the capitalization threshold of \$100,000 that do not significantly extend the useful life of the asset or expand the capability of the end-item should be considered repairs and maintenance and expensed as costs are incurred.

4. Depreciation. NASA will capitalize and depreciate PP&E with a unit cost of \$100,000 or more and an estimated useful life of two years or more using the straight-line method. Useful lives are 40 years for buildings; 15 years for other structures and facilities; 15 years for leasehold improvements, 15 years for Agency-peculiar equipment, 7 years for special test equipment and tooling; and 5 to 20 years for other equipment depending on its nature. For example, space vehicles have a useful life of 15 years and would be classified under other equipment. Useful lives for the Space Shuttle fleet are through 2010.

C. System Controls. In accordance with the FAR, contractors' records are the official PP&E records of the government. NASA contractor monthly property reports and NASA Form 1018, “NASA Property in the Custody of Contractors”, are the official documents for contractor reporting of NASA’s PP&E in their possession. Annually, a listing (“Inventory Report”) of equipment held under a grant or cooperative agreement will be submitted to the Center financial management office. NASA's financial statement account balances are updated based upon monthly property reports, NF 1018 data, and Inventory Reports. NASA does not prescribe a system of property accounting for contractors; any system employed by a contractor, however, requires

written approval by the cognizant property administrator (FAR Part 45). This process assures adequate contractor control, accuracy, and consistency in reported information.

D. Review of NF 1018s.

1. The Center IPO must maintain files of contractor property systems analyses for all contractors holding NASA property.

2. The Center CFO, through the DCFO (F), is responsible for ensuring that NF 1018s and Inventory Reports are submitted by contractors and recipients materially accurate. Such steps may include reviews of systems that generate NF 1018 data, interviews, questionnaires, meetings and training. The DCFO (F) shall ensure that a financial management office staff member independently reviews the Center IPO's file of contractor property system analyses, sufficiently in advance of fiscal year-end, to identify and work with contractors to correct any reported system deficiencies which might affect the timeliness or accuracy of NF 1018s or Inventory Reports.

3. Where contractors earn fees related to building or acquiring NASA PP&E, the acquisition cost to NASA of such PP&E includes a pro-rata portion of fees earned. The NF 1018 reporting instructions in the NFS require inclusion of appropriate fees in reported asset values. Where the reported values for Special Tooling, Special Test Equipment, Agency-Peculiar Property or Contract Work in Process is \$10,000,000 or more, the DCFO (F) shall verify that these NF 1018 values include fees. If they do not, the contractor shall be instructed to submit a corrected NF 1018. If necessary, the DCFO (F) shall calculate the pro-rata fee and submit a Journal Voucher and supporting documentation, with other NF 1018 data, to NASA Headquarters, Office of the CFO, Financial Management Directorate (see NFMR, Volume 6, 041106.G. below). NF 1018s and Inventory Reports are due from contractors and recipients on October 15. While negative responses are required for NF1018s, negative Inventory Reports are not required. The DCFO (F) should work with the Contracting Officer (CO) to withhold payment from contractors who fail to submit timely NF 1018s in accordance with NFS 1852.245-73(c).

E. NF 1018 and Inventory Report Validation. The Center DCFO (F) shall validate NF 1018s and Inventory Reports in the NASA Form 1018 Electronic Submission System (NESS) using the checklist contained in NFMR, Volume 6, Chapter 4, Appendix XX. Monthly contractor property reports are validated at NASA Headquarters, Office of the CFO, Property Branch.

F. NASA Records. The NASA general ledger control accounts for all NASA-owned, contractor-held PP&E shall be maintained by the financial management office of the cognizant contracting Center, whether or not property administration is delegated to a different NASA Center, the Department of Defense or another government agency.

G. Reporting NF 1018 and Inventory Report Data to Headquarters.

1. Since the NF 1018 and Inventory Reports, which report data as of September 30, are not due from contractors until October 15, general ledger balances will be included in general ledger after period 12 (13 – 16). Contra entries must be reconciled in accordance with instructions from NASA Headquarters, Office of the CFO, Financial Management Directorate. Estimates will be used for the month of September. These estimates will be reversed and actuals will be recorded in October. Contractors should correct errors in previously reported ending balances by using the Balance Beginning of Period, Adjustment column (a. (2)) and explain the error in the Comments section on the NF 1018. Where a contractor reports an error in a “\$100,000 & Over” category, the explanation given will be reviewed and discussed with the contractor, if necessary, to determine if an error was made to previously reported data which would affect the general ledger. If the DCFO (F) agrees an error was made and the balances reported in the general ledger were impacted, the Center will identify and report the necessary corrections as prior period adjustments to NASA Headquarters, Office of the CFO, Property Branch.

2. Where a contractor identifies NASA PP&E in its custody on the NF 1018 as heritage assets, the contractor's rationale will be reviewed and discussed as necessary to confirm or reject the recommendation. If the DCFO (F) agrees with the contractor's recommendation, the items will be removed from NASA's asset accounts and individual identification of those assets ("name," type of PP&E, rationale, etc.) will be provided to NASA Headquarters, Office of the CFO, Property Branch with the NF 1018 information so that these assets may be included in the required supplementary stewardship information on heritage assets accompanying the annual financial statements. If the DCFO (F) concludes that the items are not heritage assets, the contractor will be instructed not to identify the items as such on future NF 1018s.

3. Where a contractor identifies NASA PP&E in its custody on the NF 1018 as being in the plant clearance process, the items will be removed from NASA's asset accounts.

H. Corrections to NF 1018s. Contractors are required to contact the Center Industrial Property Officer (IPO) when a NF 1018 has been submitted and an error is subsequently discovered. The IPO and DCFO (F) shall jointly determine the appropriate corrective action based on the specifics and materiality of each error. Any questions should be directed to the Office of the CFO.

I. Disposal. NASA owned PP&E in the custody of contractors determined to be surplus to the needs of NASA and other governmental agencies, may be disposed of in accordance with the provision of the FAR and NFS. The proceeds of any such sale will be credited to miscellaneous receipts, unless the contract or any subcontract there under authorizes credit of the proceeds to the cost or price of the work (40 U.S.C. 485(a)).

040907. Reporting Requirements

A. NASA must account for and report assets in accordance with 31 U.S.C. 3512 and 31 U.S.C. 3515, Federal Accounting Standards, and Office of Management and Budget (OMB) instructions. In addition, NASA must prepare and submit unaudited financial statements, including contractor-held property on a quarterly as required by OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*.

B. Contractors are required to maintain NASA's official records for its assets in their possession: therefore, NASA must obtain data from those records to meet these requirements. NASA receives annual data from all contractors and monthly data from its designated contractors holding the highest dollar value of NASA property as determined by NASA. Changes in Federal Accounting Standards and OMB reporting requirements may occur from year to year, requiring changes to the requirements for contractor reporting.

040908. Quality Assurance Processes

A. Each Quarter, NASA Headquarters , Office of the CFO, Property Branch will develop a schedule for periodic review of key contractors' NF 1018 data and related critical policies and procedures.

B. NASA Headquarters , Office of the CFO, Property Branch will review Centers' validation checklists annually as prescribed in NFMR, Volume 6, Chapter 4, Appendix XX.

C. Additional quality control procedures can be found in the "Periodic Monitoring and Controls Performed by Centers" at the following web page: <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

Appendix XX - CHECKLIST FOR VALIDATION OF NF 1018 DATA IN THE NF 1018 ELECTRONIC SUBMISSION SYSTEM (NESS)

The NF 1018 Electronic Submission System (NESS) is the official system designated by NASA for contractors to electronically submit their annual report on NASA Property in the Custody of Contractors. Contractors using the NESS are not required to submit a paper copy of the form. Contractors who choose not to use the NESS must submit the original completed form to the DCFO (F) and a copy to the property administrator. The industrial property officials at the Center will enter the NF 1018 data into the NESS for those contractors.

In accordance with NFMR, Volume VI, Chapter 4.09.6e, the DCFO (F) shall validate NF 1018 data in the NESS promptly within five days after input to the NESS. In validating NF 1018s reflecting property in the custody of the contractor valued at \$100,000 or more, the DCFO (F) shall address the following issues:

A. If the contractor did not submit electronically, do the beginning balances reported on this year's NF 1018 agree with the ending balances from the previous year's NF 1018? Do the amounts reported in NESS match those on the original NF 1018 received by the DCFO (F)?

B. If the contractor reported adjustments, do they appear valid based upon the description in the "Comments" section (line 21) (see NFMR, Volume VI, Chapter 4.09.6g)?

C. If the NF 1018 shows Government-Furnished Additions (column b.1), do the values reported agree with the amounts on the supporting documentation? Were the amounts recorded correctly by both the transferor and transferee?

D. If the contractor reported a balance in Agency-Peculiar property, was a reasonable description provided in line 16?

E. If the contractor reported balances of \$10 million or more in any of the following property classification accounts: Special Test Equipment, Special Tooling, Agency- Peculiar, Contract Work in Process, and did not specifically state in line 21 that fees were included in the values reported, was the contractor contacted to verify that fees were included as required by NFMR, Volume VI, Chapter 4.09.6g?

F. If the contractor reported any deletions (lines 20b, 20c, 20d and 20e) as transfers, do the values reported agree with the pre-closing amount reported on the supporting documentation?

G. If the contractor reported any deletions (line item 20) as "Other," were they adequately explained in Comments (line 21)?

H. If any ending balances varied by 10% or greater, or \$10 million, contact the contractor for an explanation. Determine whether the variance is reasonable.

I. Did the contractor report any heritage assets (line 21)? If so, were the items the same as those reported on the previous year's NF 1018? For any new items, is the Contractor's rationale as to why they are considered to be heritage assets valid? For any heritage assets previously reported which are no longer identified, was there a corresponding deletion? (NFMR, Volume VI, Chapter 4.09.6g).

J. Is the contractor's property system approved (line 19a)? Is the property system analysis "satisfactory"? If not, as part of NFMR, Volume VI, Chapter 4.96.6d (checklist item P1), has action been taken to confirm that the NF 1018 was not materially impacted by any system deficiencies?

The DCFO (F) shall reject NF 1018s with values of \$100,000 or more, in NESS, where there are any negative answers to questions 1–7 above or where any of the answers for questions 8 and 9 indicate that the NF 1018 is not accurate.

For validation of NF 1018s, which do not include any values of \$100,000 or more, the DCFO (F) shall ensure the report appears to be complete and accurate. The DCFO (F) shall ensure any reported values of Materials, Construction in Progress, Contract Work in Process and Heritage Assets (see question 8, above) are included in the amounts reported to NASA Headquarters, Property Branch under the CFO, in accordance with NFMR, Volume VI, Chapter 4.09.6g.

0410 LEASED PROPERTY

This section prescribes accounting policies and procedures for property, plant, and equipment (PP&E) leased by NASA and subject to capitalization.

041001. Definitions.

A. Leased PP&E Subject to Capitalization. PP&E under a lease where the terms of the agreement are essentially equivalent to an installment purchase of PP&E and the criteria outlined in NFMR, Volume 6, Chapter 4.09.3 are met (i.e., lease where substantially all the benefits and risk of ownership are transferred to NASA (the lessee)). Capitalized leases should be fully funded. In accordance with OMB Circular A-11, "Preparing and Submitting Budget Estimates, Section 33 and Appendix B", for all lease-purchases and leases of capital assets, there must be sufficient budgetary resources up front to cover the present value of the lease payments discounted using Treasury interest rates.

B. Noncancelable. PP&E lease cancelable 1) only upon occurrence of a remote contingency, 2) only with the permission of the lessor, 3) only if the lessee enters into a new lease with the same lessor, or 4) only if the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured.

C. Bargain Price. Price (less than fair market value) at which NASA has the option to purchase leased PP&E which makes exercise of the option almost certain.

D. Estimated Economic Life. Estimated remaining period during which the PP&E is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

E. Minimum Lease Payments. Payments NASA is obligated to make or can be required to make in connection with leased PP&E.

F. Fair Value. Price for which leased PP&E could be sold in an arm's-length transaction between unrelated parties.

G. Interest Rate Implicit in the Lease. Discount rate that, when applied to the minimum lease payments (less executory costs and unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased PP&E at the inception of the lease.

041002. Policies and Procedures - Capitalized Criteria.

A. Leased PP&E is subject to capitalization if its fair value is \$100,000 or more, its useful life is 2 years or more, and the terms of the agreement are equivalent to an installment purchase by meeting **any one** of the following criteria.

1. The lease transfers ownership to NASA at the end of the term.
2. The lease contains an option to purchase at a bargain price.
3. The noncancelable length of the lease is equal to or greater than 75 percent of the estimated economic life of the PP&E.
4. The present value of the rental or other minimum lease payments, excluding that portion of the payments that represents executory costs, such as insurance, maintenance and taxes to be paid by NASA, equals or exceeds 90 percent of the fair value of the PP&E.

Criteria (1) and (2) do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased PP&E. The rental of space from General Services Administration (GSA) does not qualify as leased PP&E subject to capitalization.

B. Centers shall compute the present value of the minimum lease payments using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt unless:

1. It is practicable for NASA to obtain the interest rate implicit in the lease computed by the lessor; and
2. The implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt.

C. The Center SEMO is responsible for determining fair value and useful life of leased PP&E and notifying the DCFO if the results of the determinations indicate leased PP&E meets the capitalization criteria. The DCFO is responsible for evaluating the terms of the lease agreement and notifying the SEMO if the terms indicate leased PP&E is subject to capitalization.

041003. Recording Requirements.

A. Leased PP&E that meets the above criteria will be recorded as an asset in account 1810.000, Assets Under Capital Lease, with an offsetting liability in account 2940.0000, Capital Lease Liability. The amount recorded shall be equal to the amount recognized as a liability for the capital lease at its inception (the net present value of the lease payments calculated as discussed above, unless the net present value exceeds

the fair market value of the PP&E, in which case the liability will be the fair value). Centers will amortize the fair value over the life of the lease.

B. The difference between the capitalized value and the total amount of lease payments will be recorded as interest expense in account 6330.2000, applicable appropriations cost account, (i.e., 6100.8500 .) Interest expenses will be recognized as a portion of the lease payments and will be calculated based on the interest rate used to compute the present value of the minimum lease payments. NFMR, Volume 6, 0410, Appendix A. provides an example of a lease that is capitalized.

041004. Reporting Requirements. Leased PP&E subject to capitalization are reported in the Capital Leases Report., submitted in accordance with NFMR Volume 8, Chapter 8. All other PP&E leased for periods in excess of one year (including capitalized leases less than \$100,000) shall be reported in the Operating Leases Report.

041005. Quality Assurance Processes.

A. Monthly a property accountant shall:

1. Prepare and post a journal voucher based on the Monthly NEMS Report of Transactions to Record. The accountant shall analyze backup documentation provided by the SEMO to validate NEMS information to be recorded in the general ledger.

2. Amounts shown for new acquisitions should agree with the costs recorded in the general ledger for those transactions. If the amounts do not agree, a variance explanation shall be documented.

3. If any items recorded in NEMS as acquisitions (not capital leases) should be retagged as capital leases (based on review of the documentation), they shall be recorded as specified in NFMR, Volume 6, 041003, and e-mail or hardcopy notification shall be provided to the appropriate Center individual to correct NEMS. These communications shall be retained until correction has been verified.

4. Any transactions on the NEMS report which originally occurred in a previous fiscal year (i.e., Found on Station) shall be recorded as prior period adjustments with a debit or credit to 7400.3730. The reason(s) for adjustment shall be documented and a copy provided to NASA Headquarters, Office of the CFO, Property Branch.

5. The accountant shall run the FBL3N SAP Query for G/L accounts 6100.2321 and 6100.2330 for the current month to determine if any transactions not identified in NEMS, should be capitalized. If any expenses were recorded to the wrong account number, e-mail or hardcopy notification shall be provided to the appropriate Center individual for action. These communications shall be retained until correction has been verified.

B. Quarterly, a property accountant shall:

1. Meet with the Center, Supply and Equipment Management Officer (SEMO) to determine if there are any items received but are not yet tagged in NEMS. The accountant shall ensure that any untagged items, meeting NASA's capitalization criteria, are appropriately recorded in the general ledger.

2. Complete a reconciliation between the data shown on a NEMS query of items active with the data recorded in the general ledger under Fund HSFP01995D for the account 1810.0000, Assets Under Capital Lease.

3. Verify that the ending balance of 2940.000, Capital Lease Liability, equals the previous quarter's ending balance less payments made, plus new leases entered during the quarter.

4. Distribute a data call to the SEMO and Real Property Accountable Officer to request appropriate information for all leases where NASA is the lessee or the lessor. The accountant shall submit a copy of this listing to the NASA Headquarters, Office of the CFO, Property Branch with copies of any new agreements after validating the information as follows: 1) Compare agreement terms with information provided by the SEMO and Real Property Accountable Officer; 2) Identify any additional leases by running the In/Out Grant Report in the NASA Real Property Database and the FBLN3N (for the reporting quarter) SAP Query outlined above.

C. Additional quality control procedures can be found in the "Periodic Monitoring and Controls Performed by Centers" at the following web page: <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

0410 APPENDIX A, RECORDING OF CAPITALIZED LEASE PAYMENTS

A NASA Center entered into a five year lease agreement beginning October 1, 2003 for a mainframe computer with a fair value of \$900,000 and useful life of seven years.

The lease is noncancelable with payments of \$200,000 a year to be made in advance on October 1 of each year for five years. Title to the property passes to NASA at the end of the lease on September 30, 2008.

The Treasury Average Interest Rate for Marketable Interest Bearing Debt at the time of the lease is 7 percent and the lessor’s implicit rate is 5 ½ percent.

The executory costs are paid by the Center and are not part of the lease payments.

This lease must be capitalized because the non cancelable term is greater than 75 percent of the estimated economic life of the property, the title passes to NASA at the end of the lease and the property has a value greater than \$100,000 and a useful life greater than 2 years.

The interest rate used to calculate the portion of the payments identified as interest expense is the implicit rate of the lessor, which is 5 ½ percent, since it is less than the Treasury rate.

The following schedule identifies the interest expense and reduction of the liability by payment.

Date	Payment	Interest Expense Acct. 6330.2000	Liability Reduction	Balance Liability Acct. 2940.0000
10/1/03	\$200,000	0	\$200,000	\$900,000
10/1/04	\$200,000	\$38,500	\$161,500	\$700,000
10/1/05	\$200,000	\$29,618	\$170,382	\$538,500
10/1/06	\$200,000	\$20,246	\$179,754	\$368,118
10/1/07	\$200,000	\$11,636	\$188,364	\$188,364
TOTAL	\$1,000,000	\$100,000	\$900,000	0

Amounts reported on the schedule were rounded, to accurately liquidate the liability balance.

0411 PROPERTY TRANSERS

This section prescribes policies and procedures for documenting and recording transfers of capitalized PP&E between a NASA Center and (1) other Centers, (2) contractors, (3) other Federal agencies and outside entities, on a reimbursable or non-reimbursable basis. It also covers transfers between contractors of the same Center and between a Center and the contractor of another Center.

041101. Authority and References. This policy is consistent with the requirements established in SFFAS No. 6, “Accounting for Property, Plant, and Equipment.”

041102. Financial Controls.

A. The transfer of capitalized PP&E to another entity should be recorded as a reduction to the fixed asset account for the recorded value of the asset. The receipt of capital PP&E from another entity should be recorded in the appropriate asset account at (1) the acquisition cost of the transferor for nonreimbursed transfers or (2) the amount paid to the transferor for reimbursed transfers. Offsetting entries for transfers will be affected by the nature of the transfer (e. g. reimbursable or nonreimbursable) and the parties involved (i.e. NASA, NASA contractors and other Federal agencies).

B. The offsetting entries should include one of the following accounts:

Account	Description
5720.0000	Financing Resources Transferred in Without Reimbursement
5730.0000	Financing Resources Transferred out Without Reimbursement
6100.8100	Personal Property-Government Owned, Government Held
6100.8200	Personal Property-Government Owned, Contractor Held
6100.8300	Real Property-Government Owned, Government Held
6100.8400	Real Property-Government Owned, Contractor Held

C. Offsetting entries for intra-NASA transfers will be to account 6100.8100. Accounts 6100.XXXX, Current Year Costs and 1010.XXXX, Fund Balance with US Treasury, will also be affected when the transfer involves a reimbursement to the transferor. NASA Headquarters, Office of the CFO, Property Branch, maintains data on all intra-NASA transfers (account 6100.8100) to ensure the total amounts on an Agencywide basis net to zero. NASA Centers involved in intra-NASA transfers are required to record entries on a timely basis and process corrective actions when requested to resolve differences.

D. Transfers of PP&E between a NASA Center and its contractors shall be documented using shipping documents such as a DD Form 1149 or a DD Form 250. The documents shall contain contract numbers, shipping references, property classifications in which the items are recorded (including the Federal Supply

Classification group (FSC) codes for equipment), unit acquisition costs, original acquisition dates and any other appropriate identifying or descriptive data. Where the DD 250, Material Inspection and Receiving Report, is used, the FSC code will be part of the national stock number (NSN) entered in Block 16 or, if the NSN is not provided, the FSC alone shall be shown in Block 16. The original acquisition date shall be shown in Block 23, by item. Other formats shall be clearly annotated with the required information. Transfers of PP&E between contractors within a NASA Center shall be noted on shipping documents and a copy should be furnished to the DCFO (F) to effect the transfer. Transfers of PP&E between a NASA Center and the contractor of another NASA Center must first be recorded as a transfer between Centers and documented using a NF 1322, Personal Property Transfer Voucher.

041103. Personal Property Transfer Voucher.

A. The financial management office of a transferring Center will prepare a Personal Property Transfer Voucher, NASA Form 1322, to document property transfers to another NASA Center (or its Contractor).

B. Preparation of the NF 1322 will be based upon an approved copy of a shipping document such as a SF 122, DD Form 250 or DD Form 1149, which evidences the movement of PP&E.

C. The transferring Center shall forward a Transfer Voucher to the receiving Center in the month in which the PP&E is shipped or by no later than the end of the month following the month in which the PP&E was shipped. Centers will establish procedures to allow sufficient time to prepare and forward Transfer Vouchers by the 25th of the month.

D. Incoming and outgoing Transfer Vouchers must be recorded in the same fiscal year, therefore, the transactions should be recorded timely. The receiving Center is responsible for requesting the transferring Center to furnish the Voucher or information to correct an incomplete submission. The financial management office of the transferring Center will complete the NF 1322.

0412 SOFTWARE

041201. Purpose. This section prescribes accounting policies and procedures for NASA internal use software. When accounting treatment for specific circumstances is not discussed in this chapter, reference should be made to Statements of Federal Financial Accounting Standards (SFFAS) Number 10, "Accounting for Internal Use Software", for guidance.

041202. Authority and References. This policy is consistent with the requirements established in:

A. SFFAS No. 6, “Accounting for Property, Plant and Equipment” [[SFFAS 6](#)]

B. SFFAS No. 10, “Accounting for Internal use Software”. [[SFFAS 10](#)]

041203. Accounting Authoritative Guidance.

A. Internal use software is classified as PP&E and reported in the financial statements under the provisions of the Statement of Federal Financial Accounting Standards (SFFAS) No. 10, “Accounting for Internal Use Software” which states in part “Entities should capitalize the cost of software when such software meets the criteria for general property, plant and equipment (PP&E).”

B. SFFAS No. 6, “Accounting for Property, Plant and Equipment” in paragraph 17, defines an asset as follows:

1. “Property, plant and equipment consists of tangible assets, including land that meets the following criteria:

- a. they have estimated useful lives of 2 years or more;
- b. they are not intended for sale in the ordinary course of operations; and
- c. they have been acquired or constructed with the intention of being used, or being available for use by the entity.”

C. Free software that is either internally or contractor developed does not meet the third criteria of paragraph 17 above and should be expensed as incurred.

D. The standard establishes the following principles for capitalizing internal use software:

1. Capitalized cost includes the full cost (direct and indirect cost) incurred during the software development stage. (Paragraph 16)

2. Full costs include salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants’ fees; rent; and supplies, and documentation manuals. (Paragraph 17)

3. For COTS and contractor-developed software, capitalized cost includes the amount paid to the vendor for the software. For contractor-developed software, capitalized cost includes the amount paid to the contractor to design, program, install, and implement COTS or contractor-developed software and otherwise make it ready for use. (Paragraph 18)

4. Software integrated into and necessary to operate an asset is to be capitalized as part of the asset in which it is integrated. (Paragraph 22)

5. Modules of a software project are amortized when the module has been successfully tested. If a module is dependent on the completion of another module, amortization begins when both modules have been successfully tested. (Paragraph 33)

6. The acquisition cost of enhancements to existing internal use software (and modules thereof) is capitalized when it is more likely than not that the enhancements will result in significant additional capabilities. (Paragraph 25)

7. For software bundled products and services the capitalizable and non-capitalizable costs of the package are allocated among individual elements on the basis of a reasonable estimate of their relative fair values. (Paragraph 23)

E. The standard establishes the following principles for expensing costs of internal use software:

1. Data conversion costs incurred for internally developed, contractor-developed, or COTS software are expensed as incurred, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Such costs may include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new or additional data. (Paragraph 19)

2. The cost of minor enhancements resulting from ongoing systems maintenance and costs incurred solely to repair a design flaw are expensed. (Paragraph 26)

3. The costs of minor upgrades that may extend the useful life of the software without adding capabilities are expensed. (Paragraph 27)

F. For the accounting and reporting of software licenses, NASA has adopted the Federal Accounting Standards Advisory Board's suggestion in Paragraph 67 of SSFAS No. 10 that lease accounting concepts and the entity's policy for capitalization thresholds be applied. If the license agreement meets one or more of the following criteria and NASA's software capitalization threshold, it is considered a capital lease:

1. The lease transfers ownership of the software to NASA by the end of the lease term.

2. The lease contains an option to purchase the leased software at a bargain price.

3. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased software. This must be equal to or greater than the present value of the software license payments.

041204. Responsibilities. The Center DCFO(F) is responsible for identifying actual costs to be capitalized for internal use software and maintaining financial records (including supporting documentation) for each software project in progress and operational. In addition, the Center DCFO(F) is responsible for preparing and submitting quarterly NASA Software Capitalization Cost Reports (examples shown in NFMR, Volume 6, 0412, Appendix A) to NASA Headquarters, Office of the CFO,, Property Branch, based on the guidance in NFMR, Volume 6, 0412, Appendix B. NASA Headquarters, Office of the CFO, Property Branch is responsible for the calculation and reporting of depreciation of internal use software.

041205. Definitions.

A. Bundled Software Products and Services. A software of products or services (e.g. training, maintenance, data conversion, reengineering, site licenses and rights to future upgrades and enhancements).

B. Commercial off-the shelf (COTS) software. Software purchased, leased or licensed from a vendor and ready for use with little or no change.

C. Contractor Developed Software. Software designed, programmed, installed, and implemented by a NASA contractor, including new software and modifications of existing or purchased software without substantive NASA employee involvement other than contract monitoring.

D. Impaired Software. Software no longer expected to provide substantive service potential which will be removed from service, or software which has incurred a significant reduction in capability, function, or use (or a module thereof).

E. Integrated Software. Computer software integrated into and necessary to operate PP&E, rather than a stand-alone application.

F. Internal Use Software. Software that meets the following criteria:

1. Purchased commercially “off-the-shelf,” internally developed, or contractor-developed solely to meet NASA’s internal needs.

2. Operates in a stand-alone mode and is not integrated or necessary to operate hardware or equipment.

3. Used to operate NASA’s programs (e.g., financial and administrative software including that used for project management); or to support NASA’s mission’s (e.g., communication software designed to support multiple missions). This would be software developed independently of a mission (i.e., not a part of the mission).

4. Total projected cost is \$1,000,000 or more, and

5. Expected useful life is 2 years or more.

G. Internally Developed Software. - Software developed by NASA employees, including new software and existing or purchased software being modified with or without the assistance of contractors.

H. Free Software. - Software released to the public or other Federal agencies that advances scientific and technological knowledge but is not used in NASA’s operations. The development of such software is consistent with NASA’s mission but is not acquired or constructed with the intention of being used, or being available for use by NASA.

I. Software. - Application and operating system programs, procedures, rules and any associated documentation pertaining to the operation of a computer system or program.

J. Useful Life. The normal operating life in years, in terms of utility to NASA.

K. Software Life Cycle Phases. - The phases through which a software application or information system passes, typically characterized as formulation, implementation, and operation, as defined below.

1. Formulation Phase - Consists of conceptual formulation of alternatives, evaluation and testing of alternatives, determination of existence of needed technology, and final selection of alternatives.

2. Implementation Phase - Consists of design (including configuration and interfaces), coding, installation on hardware, and testing (including parallel processing, if needed).

3. Operational Phase - Consists of data conversion, application maintenance, training, and deployment.

Software life Cycle Phases		
Formulation Phase	Implementation Phase	Operational Phase
<ul style="list-style-type: none"> • Conceptual formulation of alternatives • Evaluation and testing of alternatives 	<ul style="list-style-type: none"> • Design (including configuration and interfaces) • Coding 	<ul style="list-style-type: none"> • Data Conversion • Application maintenance • Training

<ul style="list-style-type: none"> • Determination of existence of needed technology • Final selection of alternatives 	<ul style="list-style-type: none"> • Installation on hardware • Testing (including parallel processing, if needed) 	<ul style="list-style-type: none"> • Deployment
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041206. Policies and Procedures – Capitalization. NASA records all accounting transactions in its integrated accounting system, IFMP/SAP. The general ledger account entries that are generated by each accounting transaction, applicable for NASA property accounts can be viewed at the Treasury USSGL Web site. [[USSGL Transactions](#)]

A. Software Phases.

1. NASA will expense all costs incurred during the Formulation Phase of the life cycle for internal use software as research and development (R&D) costs. NASA will also expense all costs during the Operational Phase, which begins when final acceptance testing has been successfully completed.

2. NASA will capitalize full costs (direct and indirect) incurred during the software development (Implementation Phase) phase of the life cycle for internal use software. Internal use software’s capitalized costs are accumulated in work in process until final acceptance testing has been successfully completed. Once completed, the costs are transferred to PP&E, with amortization expense recognized on a periodic basis. Software costs associated with terminated projects and or subprojects shall be expensed.

3. NASA will capitalize costs if the total projected cost is \$1,000,000 or more and the expected useful life of the software is 2 years or more.

B. Costs to Capitalize. The following software costs must be captured for capitalization purposes:

1. Bundled Products and Services. Allocate the capitalizable and noncapitalizable cost of the package among the individual elements on the basis of a reasonable estimate of their relative fair values. For example, training, maintenance or data conversion elements included in the package should be expensed; the software package, software implementation, installation and testing elements should be capitalized.

2. Contractor Developed Software. The amount paid to a contractor during the Implementation Phase, and material internal costs incurred by NASA to implement the software and otherwise make it ready for use, up through acceptance testing.

3. Internally Developed Software. The full cost (direct and indirect) incurred through acceptance testing.

4. COTS Software. The amount paid to the vendor for the software (purchase or lease) and material internal costs incurred by NASA to implement the software and otherwise make it ready for use through acceptance testing.

5. Software developed in modules (including pilots) should be accounted for as follows:

a. If the modules are implemented and operated independently, the software shall be accounted for based on the cost and expected useful life of each module. The useful life of independently implemented software starts on the date the software becomes operational.

b. If the modules are inter-dependent, the costs and life cycle shall be the combined cost and life of the modules, which must be implemented together.

6. Software acquired through separate contracts shall be accounted for separately. Bulk purchases of the same software acquired under the same contract shall be accounted for as a group. If the same software package is purchased under two or more contracts, costs shall be accounted for and thresholds applied separately.

7. Software Licenses. Multi-year licenses are capitalized if the total projected cost is \$1,000,000 or more, and the expected useful life of the software is 2 years or more.

8. Capital Lease Software. If the license agreement meets one or more of the following criteria stipulated below and meets NASA's software capitalization threshold, it is considered a capital lease.

a. The lease transfers ownership of the software to NASA by the end of the lease term.

b. The lease contains an option to purchase the leased software at a bargain price.

c. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased software (i.e., useful life is 4 years and lease term is 3 or more years).

d. The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the leased software. To evaluate this criterion determine the purchase price of the software and multiply it by 90 percent. This amount must be equal to or greater than the present value of the software license

payments (if it is a standard COTS various sources could be used to provide the list price for the software package).

Note: Annual lease/renewals are not considered capital leases.

9. Enhanced Software. Enhancement costs for existing software should be capitalized if the enhancement results in significant additional capability beyond that for which the software was originally intended, the total cost of the enhancement is \$1,000,000 or more, and the expected useful life of the enhanced software is 2 years or more. The capitalized cost will include the same types of cost discussed above in NFMR, Volume 6, 041206.B. Costs to Capitalize. Costs incurred solely to repair a design flaw or perform minor upgrades will not be capitalized. A significant additional capability is considered a capability not included in original software specifications and which costs \$1,000,000 or more to develop (excluding all other updates to the software).

10. If software is being capitalized, but becomes unusable (impaired), this shall be brought to the attention of Headquarters, Office of the CFO, Property Branch.

11. NASA will recognize and report all losses from impaired software. NASA will recognize disposals when software is determined to be obsolete or nonfunctional. NASA will not report fully depreciated software projects. Once the project is fully depreciated, Centers will no longer include those projects on the quarterly report.

12. NASA shall not capitalize:

a. Software developed as part of a research effort (e.g. algorithm).

b. Software integrated into and necessary to operate a NASA asset. Such software should not be capitalized separately but as part of the asset in which it is integrated.

c. Software NASA does not own outright or for which NASA does not own a lease to operate (such as software provided through the Outsourcing Desktop Initiative for NASA (ODIN) contract).

d. Data conversion, maintenance, and training costs.

e. Costs incurred solely to repair a design flaw in software.

f. Costs incurred to develop “free software” to be released to the public or other Federal agencies for purposes of advancing scientific and technological knowledge.

041207. Quality Assurance Processes

A. On a quarterly basis, the Center DCFO(F)s prepare journal vouchers and applicable spreadsheets which are sent to NASA Headquarters, Office of the CFO, Property Branch. Information used to prepare the journal vouchers is obtained through discussions with Center CIO and program office personnel.

B. Data received from the CIO and program offices is validated through review of supporting documentation and accounting system queries.

C. Additional quality control procedures can be found in the “Periodic Monitoring and Controls Performed by Centers” at the following web page: <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

Appendix A – Examples of *NASA Software Capitalization Cost Reports*

NASA Software Capitalization Cost Report A
Projects in Development (WIP)

For Month/Quarter Ending: **12/31/2003**
Center
Name _____

Report Due Date: **1/16/2004**
Beginning of Period (BOP): **10/1/2003**
End of Period (EOP): **12/31/2003**

1	2	3	4	5	6	7	8	10	11	12
Software Name	Contract Number	Projected/Actual Acceptance Date (mm/dd/yy)	Prior Period Cumulative Costs Incurred	Actual Costs Incurred this Period	Less: Costs Transferred to PP&E	Disposals	Actual Total Costs at EOP (WIP)	Comments	Estimated Useful Life	Work Breakdown Structure (WBS)

NASA Software Capitalization Cost Report B

Project Completed (PP&E)

For Quarter Ending: 12/31/2003

Center Name _____

Report Due Date: 1/16/2004

Beginning of Period (BOP): 10/1/2003

End of Period (EOP): 12/31/2004

1	2	3	4	5	7	8	9					10	12
Software Name	Contract Number	Projected or Actual Acceptance Date (mm/dd/yy)	Prior Period Cumulative Costs Incurred	Actual Costs Incurred this Period	Disposals	Actual Total Costs at EOP (Capitalized)	License Lease Term (years)	Accumulated Depreciation at BOP (\$K)	Depreciation Expense (\$K)	Depreciation related to Disposals	Accumulated Depreciation EOP (\$K)	Comments	Work Breakdown Structure (WBS)

Appendix B – Guidance for NASA Software Capitalization Cost Report**NASA Software Capitalization Report Guidance:**

On a quarterly basis, each Center must submit to NASA Headquarters, Office of the CFO, Property Branch, the cumulative *NASA Software Capitalization Cost Reports A and B* (examples shown in NFMR, Volume 6, Chapter 4.14 Appendix A). Supporting documentation (e.g., vouchers, contracts, etc.) for the data reported must be retained at the Center and submitted to the Property Branch, if requested.

The quarterly report due date along with the beginning of period (BOP) date and end of period (EOP) dates will appear on the Report forms. Centers will report software costs on Report A for internal use software which was under development (i.e., WIP) during the quarter. Centers will report software costs on Report B for internal use software that was completed during the quarter when final acceptance testing was successfully completed.

The following instructions are for populating each numbered field (at the top of each column) on the *NASA Software Capitalization Report* forms A and B. The Property Branch will complete the fields associated with columns that are shaded and unnumbered (i.e., depreciation). Expert information about software development projects supporting NASA missions or NASA administrative functions should be obtained from project managers, software development managers, software development team leaders, or equally knowledgeable persons.

Field 1. Software Name

List internal use software that meets all of the following criteria:

- Either purchased commercially “off-the-shelf,” internally-developed, or contractor-developed solely to meet NASA’s internal needs.
- Operates in a stand-alone mode and is not integrated or necessary to operate hardware or equipment.
- Used to operate NASA’s programs (e.g., financial and administrative software including that used for project management); or to support NASA’s mission’s (e.g., communication software designed to support multiple missions).
- Software developed independently of a mission (i.e., it is not a part of the mission).
- Total projected cost is \$1,000,000 or more, and
- Expected useful life is 2 years or more.

An example of internal use software used on multiple missions is the MODIS Adaptive Processing System (MODAPS) that: generates and distributes data products from a variety of earth observing instruments (MODIS, AVHRR and Landsat); supports several missions (EOS Terra and EOS Aqua); has been re-used in research activities that involve global or continental-scale production of science data products and runs on several computing hardware platforms and under both Unix and Linux operating systems.

Do not list the following software:

- Software developed as part of a research effort.
- Software integrated into and is necessary to operate property, plant and equipment.
- Software that solely supports a single mission (i.e., shuttle, space station, satellites, space probes, etc.) or a single instrument (i.e., James Web Space telescope, Hubble Space telescope, etc.) where current plans are for the software not to be used after the mission ends.
- Software that NASA does not own outright, or for which NASA does not own a lease to operate, such as software provided through the *Outsourcing Desktop Initiative for NASA* (ODIN) contract.

Field 2. Contract Number

List the contract number under which the software was acquired or developed.

Field 3. Acceptance Date

Projected or actual date final acceptance testing will be/was successfully completed and software will be/became operational.

For Fields 4 and 5, full costs (direct and indirect) should be recorded for internal use software implementation¹. No costs should be recorded for software formulation² or operations³. Full costs are defined as: salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants' fees; rent; and supplies, and documentation manuals. Record costs as specified in the following categories:

¹ Software implementation consists of activities such as: design (including configuration and interfaces), coding, installation on hardware, and testing (including parallel processing, if needed).

² Formulation activities consist of: conceptual formulation of alternatives, evaluation and testing of alternatives, determination of existence of needed technology, and final selection of alternatives.

³ Operations activities consist of: data conversion, application maintenance, training, and deployment.

- (a) Commercial off-the-shelf Software (COTS): the amount paid to the vendor for the software and material internal costs incurred by NASA to implement the software and make it ready for use, through acceptance testing.
- (b) Support Contractor Developed Specific NASA Application Software (SCAS): the amount paid to a contractor during software implementation only, and material internal costs incurred by NASA to implement the software and otherwise make the software ready for use, through acceptance testing.
- (c) Civil Servant Developed Specific NASA Application Software (CSAS): full cost (direct and indirect) incurred during software implementation, through acceptance testing.
- (d) Enhancements made by a Support Contractor (ESCAS) or by Civil Servants (ECSAS) to Specific NASA Application Software: record the full costs if the enhancement (i.e., could be new version or release) results in a significant additional capability beyond that for which the software was originally intended. A significant additional capability is one not included in the original software specifications and which costs \$1,000,000 or more to develop (exclusive of all other updates to the software).
- (e) Software Modules (including pilots): list and record each software module and cost separately, if modules are implemented and operated independently. Otherwise list combined modules and record combined costs, if modules are interdependent.
- (f) Software Acquired through Separate Contracts: software and costs should be listed separately if the same software package is purchased under separate contracts. The \$1,000,000 threshold should be applied separately. For bulk purchases of the same software acquired under the same contract, the \$1,000,000 threshold should be applied to the group.
- (g) Bundled Products and Services: allocate the cost of the package among the individual elements on the basis of a reasonable estimate of their relative fair values. Record the costs for the software package, software implementation, installation and testing; do not record costs for training, maintenance or data conversion elements included in the package.
- (h) Software licenses: costs for a multi-year license should be listed in which the total projected cost is \$1,000,000 or more, and the expected useful life of the software is 2 years or more. The following capital lease criteria should be applied:

If the license agreement meets one or more of the following criteria and meets NASA's software capitalization threshold, it is a capital lease:

1. The lease transfers ownership of software to NASA by the end of the lease term.
2. The lease contains an option to purchase the software at a bargain price.
3. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased software (e.g., if useful life is 5 years and lease term is 3 or more years).

4. The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the software. To evaluate this criterion, determine the purchase price of the software and multiply it by 90 percent. This amount must be equal to or greater than the present value of the software license payments (if it is a standard COTS various sources could be used to provide the list price for the software package).

Field 4. Prior Period Cumulative Costs Incurred

Costs as specified for each software category above from beginning of project (or 9/30/00, whichever is later) through BOP. Report this cost for projects not previously reported.

Field 5. Actual Costs Incurred this Period

Costs as specified for each software category above from beginning of the period through the end of the period to record current month/quarter activity.

Field 6. Less Costs Transferred to PP&E

Report the negative sum of fields 4 and 5 that is entered when the software project is completed during the quarter and costs are transferred to PP&E.

Field 7. Disposals

Report costs of software no longer expected to provide substantive service potential which will be removed from service, or software has incurred a significant reduction in capability, functions, or use (i.e., become impaired).

Field 8. Actual Total Costs to EOP (Capitalized or WIP)

Report the sum of fields 4, 5, 6 and 7 for a cumulative total cost.

Field 9. License Lease Term

The length (in years) of the multiple year license or capital lease, if applicable.

Field 10. Comments

Provide any pertinent comments about the software and its related information.

Field 11. Estimated Useful Life

Provide an estimate of the useful life for the software once it is operational.

Field 12. Work Breakdown Structure (WBS)

Provide the WBS for the software project being reported.

Appendix C: Checklist for software projects identified as Internal Use Software

Perform the activities on this checklist for each Internal Use Software Project identified through discussions with Project Managers, Software development managers, etc. These projects should be reported on the *NASA Software Capitalization Cost Report*.

VALIDATION OF INTERNAL USE SOFTWARE

PROJECT NAME:

USEFUL LIFE:

WBS:

QUARTER ENDING:

VALIDATION CRITERIA	<i>RESPONSE</i>	COMMENTS
Obtain the Projects WBS Structure		
Are there separate WBS' for Life Cycle Phases?		
What is the project start date?		
Has the project moved from implementation to operation? If so, these costs should be moved from WIP to PP&E		
If the project has moved from implementation phase to operation has final acceptance testing occurred and is it supported with documentation?		
Is the software still being used? Is it impaired? Disposed of?		
Were any significant modifications made to the software?		

CONCLUSION: Based upon the results of the validation outlined above, the internal use software appears to be reported accurately.

VALIDATED BY:

APPROVED BY:

0413 THEME ASSETS041301. Purpose.

This section prescribes accounting policies and procedures for NASA's Theme Assets and describes project processes using NASA Procedural Requirement (NPR) 7120.5 *Program and Project Management Processes and Requirements*.

041302. Authority and References

A. External Authorities. This policy is consistent with the requirements established in:

1. SFAC No. 5 Recognition and Measurement in Financial Statements of Business Enterprises.
2. SFFAC No. 1 Objectives of Federal Financial Reporting.
3. SFFAC No. 2 Entity and Display.
4. SFFAS No. 6 Accounting for Property, Plant and Equipment.
5. SFAS No. 2 Accounting for Research and Development.

B. NASA Authorities

1. NASA NPR 7120.5 *Program and Project Management Processes and Requirements*, November 21, 2003 thru November 21, 2007. [[NASA NPR 7120.5B](#)]
2. NASA NPR 9501.2D *NASA Contractor Financial Management Reporting*, May 23, 2001 through May 23, 2006. [[NASA NPR 9501.2D](#)]
3. NASA SP-610S, NASA Systems Engineering Handbook, http://ldcm.gsfc.nasa.gov/library/Systems_Engineering_Handbook.pdf

041303. Responsibilities

A. The NASA Headquarters, Office of the CFO, Property Branch is responsible for reporting the capitalized value of Theme Assets for inclusion in NASA's Financial Statements. These data are captured by extracting actual costs by Work Breakdown Structure (WBS) from the NASA accounting system.

B. Each NASA Mission Directorate is responsible for providing the Property Branch with key management documents containing non-financial data used by the Property Branch to properly record and depreciate the Theme Assets.

C. The NASA Centers are responsible for ensuring that a contractor's technical statement of work can be directly related to the WBS, and that contractors report resource requirements and actual expenditures against the categories of the WBS on NASA form (NF) 533, or equivalent. In addition, Centers are responsible for entering costs into the NASA accounting system using the WBS.

041304 Definitions

A. Theme Assets. PP&E specifically designed for use in a NASA program. Examples may include but are not limited to satellites, space probes and their instruments and components, and airborne observatories.

B. Useful Life. The planned design life, which begins on the date of operation and is the length of time the asset is expected to function, as denoted in the project plan.

C. Date of Operation. Date the asset actually begins operating, after checkout procedures have been performed.

D. Extended Useful Life. The number of years the original design (useful) life is extended as a result of an official update to the project plan. This applies when the original design life has passed or is drawing to a close, but the asset is expected to be operational for some time.

E. Work In Process. All activities relating to the design and fabrication of an asset to bring it to a form and location for its intended use (including cruise time), until it is considered operational.

F. Project Life Cycle. Consists of a categorization of efforts and tasks required to accomplish a project. The project is divided into distinct phases, which organize the entire process into more manageable pieces and provide points for go/no-go decisions.

G. Work-Breakdown Structure (WBS). NASA organizing structure for: project and technical planning, cost estimation and budget formulation, scope of statements of work and specifications for contract efforts, project status reporting, including schedule, cost, workforce, technical performance and integrated cost/schedule data, and documentation products such as plans, specifications, and drawings.

041305. Policies and Procedures

A. Project Formulation. Costs incurred during Project Formulation are research and development (R&D) costs. Therefore, these costs shall not be capitalized as part of a related Theme Assets. R&D costs are expensed as incurred, except in certain circumstances. (Statement of Financial Accounting Standards No. 2, Paragraph 8 and guidelines in Paragraphs 12,39,40 and 45.) Project Formulation activities – exploring and assessing options and analyzing feasible concepts for implementation and technology – are R&D and, therefore, will be expensed. Assets acquired or developed for R&D purposes (i.e., materials, equipment or facilities) that have alternative future uses (in R&D projects or otherwise) shall be capitalized as a separate item (SFAS no.2, Paragraph 11).

B. Project Implementation. NASA will capitalize all costs of a given project incurred during Project Implementation that, in total, meet the capitalization criteria for Theme Assets. In addition, costs incurred to bring the asset to a form and location suitable for its intended use (e.g., launch costs) will also be capitalized. These costs will be accumulated in Work In Process (WIP) until the asset is operational. The costs will then be moved from the WIP account to the equipment account and depreciated over the asset's useful life.

The following policies shall be followed for Theme Assets with a useful life of less than 2 years.

1. The costs of Theme Assets that take less than one year to construct shall be expensed when incurred.

2. The costs of Theme Assets that take more than one year to construct and will reach their destinations within the same fiscal year should be recorded as and accumulated in WIP and expensed when the assets are launched.

3. The costs of Theme Assets that take more than one year to construct and will reach their destinations in a future fiscal year should be recorded as and accumulated in WIP and expensed when the assets are operational.

4. The costs of Theme Assets that take more than one year to construct and more than two years to reach their destinations and begin their missions should be recorded as and accumulated in WIP and expensed when operations begin.

5. The decision chart below depicts the accounting actions to be taken for Theme Assets with a useful life less than 2 years.

6. For assets with a useful life of 2 years or more, assets should be recorded as and accumulated in WIP and begin being depreciated on the operation date.

D. Project Operations. NASA will expense all costs during incurred Project Operations. These activities consist of system operations, system maintenance, and system disposal.

041308. Theme Assets Reconciliation. . Quality control procedures can be found in the “Periodic Monitoring and Controls Performed by Centers” at the following web page: <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf> and NASA Theme Assets Accounting Capitalization Desk Guide.

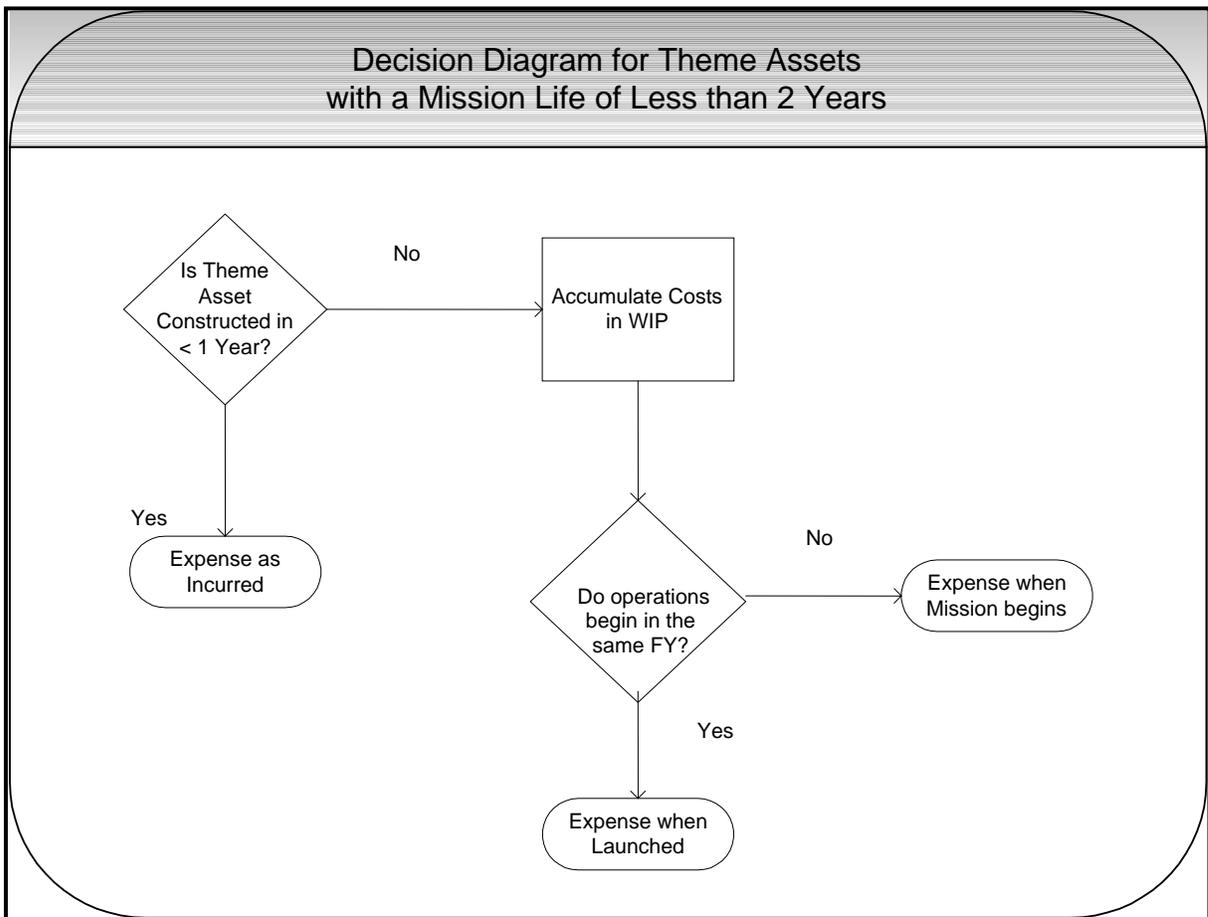


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CHAPTER 5**INVESTMENTS**0501 OVERVIEW

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](#)]

CHAPTER 6**ADVANCES AND PREPAYMENTS**0601 PURPOSE

This chapter prescribes the policies and procedures to be followed by the NASA Centers to account for advances and prepayments including those made:

1. To employees,
2. Within NASA,
3. To other Federal Government agencies,
4. To Non-Federal Government organizations.

The Federal Acquisition Regulation and United States Code often use the term advances for both advances and prepayments. NASA shall account for advances and prepayments to abide by United States Standard General Ledger (USSGL) and Generally Accepted Accounting Principles which require separate accounts for the two. Advance payments are made in contemplation of future performance often based on an estimated cost (see 060301 below). Prepayments disburse cash upfront for a future benefit for which the price is known and is fixed and reoccurring (see 060302 below). Most advance payments involve NASA's use of the Department of Health and Human Services' Payment Management System (HHS/PMS) - a letter of credit system of providing advance payments of Federal funds to state and local governments, educational institutions, and other public or private "recipient organizations". (See NASA Financial Management Requirement (FMR) volume 13, Grant Financial Management for details). These procedures apply to all NASA programs requiring advance payments. Other details concerning advances and prepayments are included in FMR volume 14, Contract Financial Management.

0602 AUTHORITY AND REFERENCES

060201. Advancements and Deductions, 5 USC 5705, provides authority for NASA to grant travel advances to employees and collect unused advances by setoff against accrued pay, retirement credit, or other amount due the employee, deduction from an amount due from the United States, and other methods as provided by law.

http://www4.law.cornell.edu/uscode/html/uscode05/usc_sup_01_5_10_III_20_D_30_57_40_I.html

060202. Contract Financing, 10 USC 2307, provides authority for NASA to make advance, partial, progress, or other payments under contracts for property or services.

http://www4.law.cornell.edu/uscode/html/uscode10/usc_sec_10_00002307----000-.html

060203. Advances, 31 USC 3324, stipulates advances may be made only if specifically authorized by law.

http://www4.law.cornell.edu/uscode/html/uscode31/usc_sec_31_00003324----000-.html

060204. The National Aeronautics and Space Act, 42 USC 2473 (c) (5), authorizes NASA to enter into and perform such contracts, leases, cooperative agreements, or other transactions without regard to 31 USC 3324.

http://www4.law.cornell.edu/uscode/html/uscode42/usc_sec_42_00002473----000-.html

060205. Advance Payments for Non-Commercial Items, 48 CFR 51-32.4 (Federal Acquisition Regulations (FAR) Part 32.4) provides requirements and procedures for advance payments on prime contracts and subcontracts for non-commercial items.

http://www.access.gpo.gov/nara/cfr/waisidx_04/48cfr32_04.html

<http://www.arnet.gov/far/>

060206. Using Grant Agreements, 31 USC 6304, stipulates when a grant is an appropriate instrument to be used.

http://www4.law.cornell.edu/uscode/html/uscode31/usc_sec_31_00006304----000-.html

060207. Treasury Financial Manual Volume I Part 6 Chapter 2000, Cash Advances Under Federal Grant and Other Programs (T/L 506). This chapter prescribes Treasury's procedures to be observed by NASA for all cash advances.

<http://www.fms.treas.gov/tfm/vol1/index.html#Part%206>

060208. Department of the Treasury, Department Circular No. 1075 (Fourth Revision) - Withdrawal of Cash from the Treasury for Advances Under Federal Grant and Other Programs. This circular is codified in 31 CFR 205 which provides the Treasury rules for assistance programs. The online Catalog of Federal Domestic Assistance gives access to a database of all Federal programs available to State and local governments (including the District of Columbia); federally-recognized Indian tribal governments; Territories (and possessions) of the United States; domestic public, quasi-public, and private profit and nonprofit organizations and institutions; specialized groups; and individuals.

http://www.access.gpo.gov/nara/cfr/waisidx_04/31cfrv2_04.html#201 and

<http://12.46.245.173/cfda/cfda.html> for the domestic catalogue.

060209. Office of Management and Budget (OMB) Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations. This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.

<http://www.whitehouse.gov/omb/circulars/>

060210. Statement of Federal Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities. This is the Federal Accounting and Standards Board standard for accounting for advance payments and prepayments.

<http://www.fasab.gov/standards.html>

060211. Public Law 108-7, enacted on February 20, 2003 (codified as 42 USC 2459i), established in the United States Treasury a NASA WCF. This is a joint resolution which may be cited as the "Consolidated Appropriations Resolution, 2003" which included language authorizing NASA to have a working Capital Fund.

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_public_laws&docid=f:publ007.108

060212. Extraordinary Contractual Actions ("Authorization; official approval; Congressional action: notification of committees of certain proposed obligations, resolution of disapproval, continuity of session, computation of period"), 50 USC 1431 (codification of PL 85-804). Authorizes NASA if it exercises functions in connection with the national defense, acting in accordance with regulations prescribed by the President for the protection of the Government, to enter into contracts or into amendments or modifications of contracts made and to make advance payments thereon, without regard to other provisions of law relating to the making, performance, amendment, or modification of contracts, whenever it deems that such action would facilitate the national defense.

http://www4.law.cornell.edu/uscode/html/uscode50/usc_sec_50_00001431----000-.html

060213. International Cooperation, 42 USC 2475, provides the legal authority for NASA to engage in a program of international cooperation.

http://www4.law.cornell.edu/uscode/html/uscode42/usc_sec_42_00002475----000-.html

0603 DEFINITIONS

060301. Advances. Advances are cash outlays made by NASA to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses for the cost of goods and services NASA will acquire. Payments made in contemplation of the future receipt of goods, services, other assets, or the incurrence of expenditures are advances. Examples include travel advances disbursed to employees, and cash or other assets disbursed under a contract, grant, or cooperative agreement before goods or services are provided by the contractor or grantee.

060302. Prepayments. Prepayments are payments made by NASA to cover certain periodic expenses before those expenses are incurred. Prepayments are amounts paid for goods and services to provide for future benefits over a specified time period. They apply when it is a generally accepted industry practice to pay for items such as rents, subscriptions, taxes, royalties, insurance, and maintenance agreements in advance of the service being provided and the prepayment is authorized by law.

0604 GENERAL

Advances and prepayments are assets accounts. Advances are to be recorded in the United States Standard General Ledger (USSGL) account 1410, Advances to Others and

prepayments are to be recorded in USSGL account 1450, Prepayments. Subsidiary ledgers for each appropriation fund and each advance and prepayment made shall support USSGL 1410 and 1450. Advances to contractors, suppliers and to grantees shall be recorded in USSGL account 1410, Advances to Others, as non-federal.

0605 POLICIES AND RELATED PROCEDURES

060501. Recording of Advances and Prepayments.

A. Advances. Advances will be recorded in USSGL account 1410, Advances to Others unless recorded as expenses under the criteria of C below.

B. Prepayments. Prepayments will be recorded in USSGL account 1450, Prepayments, as Non-Federal unless recorded as expenses under the criteria of C below.

C. Recording Advances and Prepayments as Expenses.

1. Advances.

a. Cost and accrued cost shall be used to reduce the advance account and record NASA expenses based on cost reporting from the contractor or grantee.

b. In cases where cost reporting is unavailable or not required estimates of the cost of work performed will be made on a monthly basis.

c. A contractor's or grantee's drawdown shall be recorded as expense if cost reporting is unavailable or not required, provided the drawdown is for cost incurred or cost anticipated to be incurred within 30 days.

d. In any case the drawdown is through the HHS/PMS advances and expenses shall be recorded consistently with the policy in FMR volume 7. (see FMR volume 7 Cost, chapter 8, 080114 B for HHS/PMS)

e. When cost reporting is received or an accounting given for a contract or grant, any necessary cost adjustments shall be made to the expense and advance accounts.

2. Prepayments shall be record as expenses when:

a. The prepayment is an immaterial amount of less than \$500 a month.

b. It is anticipated the recipient of the payment will deliver the goods or services within 30 days.

060502. NASA records all accounting transactions in its integrated accounting system, IFMP/SAP. The general ledger accounting entries that are generated by each accounting transaction, applicable for NASA accounts 1410 and 1450 can be viewed at: http://fms.treas.gov/ussgl/tfm_releases/InterimChangesOct03/comp04sec3Oct03.pdf.

060503. Advances and prepayments are reduced and an expense is recorded when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire (unless an exception under 060501 C applies).

060504. Amounts of advances and prepayments that are subject to refund should be transferred to accounts receivable.

060505. Advances and prepayments paid out are recorded as assets. Advances and prepayments received are recorded as liabilities. In the financial statements, advances and prepayments paid out should not be netted against advances and prepayments received.

060506. Advances to Federal agencies shall be made pursuant to law and agreements between NASA (the customer) and other federal agencies (the provider.)

060507. Advances from NASA as a customer to other Federal agencies shall be recorded in USSGL account 1410, Advance to Others as intragovernmental.

060508. The following quote from Public Law (P.L.) 108-7 (codified as 42 USC 2459i) authorizes the NASA Working Capital Fund (WCF) to receive advances for supplies and services. *"The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of the operation, such as the accrual of annual leave, depreciation of plant, property and equipment, and overhead."* All customers of the NASA WCF, shall provide advance payments to the NASA WCF for supplies and services.

060509. Advances to foreign agencies shall be recorded in USSGL account 1410, Advance to Others as non-federal and disbursed to Treasury Symbol 80X8979, Trust Fund Appropriation Account.

060510. Specific requirements for accounting and reporting on transactions under cooperative agreements between NASA and foreign agencies for procurement or furnishing by NASA of materials and services which are funded by deposits to trust fund accounts can be found in Appendix 3 of this chapter.

060511. Travel Advances.

A. Travel advance represents the outstanding balance of advances made to NASA personnel and appointees for per diem, transportation, and related expenses incident to travel on authorized official business or change of official duty station. Travel advance shall be recorded in USSGL account 1410, Advances to Others as non-federal.

B. NASA may advance, through the proper disbursing official, to an employee entitled to per diem or mileage allowances a sum considered advisable for the duration of the travel to be performed. A sum advanced and not used for allowable travel expense is recoverable from the employee or his estate by offset against accrued pay, retirement credit, or other amount due the employee.

C. Travel advances shall be minimal and allowed only when necessary. The use of credit cards by NASA employees as a result of General Services Administration contracts with major credit cards is to be encouraged in lieu of travel advances.

D. When authorized travel carries over from one fiscal year to the next, the total balance of all travel advances shall be transferred from the expiring appropriation accounts to the next year's appropriation accounts. Such transfers are to be made at the beginning of the new fiscal year. The transfer documents shall be supported by detailed data on each outstanding advance included in the transfer.

E. Recovery of excess travel advances may occur in the following ways: repayment by the employee to whom the advance was made; or, when necessary, deductions from the employee's pay. If the traveler is in a continuous travel status and periodic travel vouchers are submitted, the full amount of allowable travel expenses may be reimbursed to the traveler without deductions of advances until such time as the final vouchers are submitted.

F. If travel advances are not fully recoverable by deductions from travel vouchers or refunded by the travelers, prompt action shall be taken to recover the outstanding advances by deductions from any amounts due the traveler or by using any other legal means available. In such instances, the travel advance shall be reclassified and recorded as non-federal in USSGL account 1310, Accounts Receivable (Refunds Due).

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CHAPTER 7**ACCOUNTS PAYABLE**0701 **OVERVIEW**

070101. This chapter prescribes the policies and related procedures of the accounts payable and cash disbursement process.

0702 **AUTHORITY AND REFERENCES**

070201. Accounts payable policies and procedures are developed in accordance with the following references.

- A. 5 CFR 1315: Prompt Payment
<http://www.fms.treas.gov/prompt/regulations.html>
- B. OMB Circular A-127 Financial Management Systems
<http://www.whitehouse.gov/omb/circulars/>
- C. OMB Circular A-123 Management Accountability and Control
<http://www.whitehouse.gov/omb/circulars/>
- D. FAR 52.232 Payments, <http://www.arnet.gov/>
- E. Attributes. Required attributes for applicable standard general ledger accounts: <http://www.fms.treas.gov/ussgl/current.html#Section%204>

0703 **ROLES AND RESPONSIBILITIES**070301. **Headquarters.**

A. The NASA Deputy Chief Financial Officer (or their designee), NASA Headquarters is responsible for the approval of waiver request when there is a separation of duties and tasks violation.

B. The Chief, Financial Reports Branch will review the waiver request and recommend its disposition to the NASA Chief Financial Officer.

C. The Agency Vendor Payment Processor is responsible for processing all commercial invoices for contracts that are shared between the different centers. The process is not any different than the vendor payment processor with the exception that the agency role will have the capability of paying contracts that are shared by other centers.

D. The Agency Health & Human Services Processor is responsible for reconciling Centers' and HHS's data and running reports within the SAP system). They will also ensure that each center is properly charged for its recipients' drawdown and billed each month for all IPAC transactions. **Note:** This role is not an SAP role so there will be no way to monitor access to other roles.

070302. NASA Centers.

A. Center's Chief Financial Officer. Waivers will be reviewed and handled on a case-by-case basis. The waiver request will require the signature of the Center's Chief Financial Officer.

B. When the waiver request involves Purchasing roles, the signature of the Center's Procurement Officer will also be required.

C. Competency Center. The competency Center is responsible for posting Treasury confirmations as well as opening and closing expired funds.

0704 DEFINITIONS

070401. Accounts Payable (Account 2110). Accounts payable are amounts owed for goods and services received (i.e., actual or constructive delivery). These accounts represent amounts owed to federal or nonfederal entities for goods and property ordered and received, and for services rendered by organizations and people other than employees

070402. Disbursement in Transit (Account 2120). This account is used to record outlays transmitted to a designated disbursing office by an accounting activity that has not been processed by the disbursing office.

070403. Contract Holdbacks (Account 2130). This account is used to record amounts withheld from contractors pending completion of related contracts. Sources for entries to this account include contract documents, progress payment invoices from contractors or grantees, and contracting officer certifications authorizing release of funds.

070404. Accrued Interest Payable (Account 2140). This account is used to record interest accrued or owed to others.

070405. Other Accrued Liabilities (Account 2190). "Other Accrued Liabilities" is used to record those accounts payable that cannot be classified or assigned to a specific account described in this Chapter.

070406. Accounts Payable. amounts owed for goods and services received (i.e., actual or constructive delivery).

070407. Disbursements. Amounts paid out by Federal agencies during the fiscal year. This term is used interchangeably with the term outlay.

070408. Secure Payment System (SPS). An automated system that allows agencies to electronically certify payment files to an RFC.

070409. Federal Payment. Any payment made by a Federal agency. The term includes, but is not limited to: (1) Federal wage, salary, and retirement payments; (2) vendor and expense reimbursement payments; (3) benefit payments; and (4) miscellaneous payments including, but not limited to, interagency payments; grants; loans; fees; principal, interest, and other payments related to United States marketable and nonmarketable securities, overpayment reimbursements; and payments under Federal insurance or guarantee programs for loans.

070410. Invoice. A bill or other written request for payment.

070411. Standard General Ledger (SGL). - The set of procedural rules and uniform chart of accounts used by agencies to record budgetary and proprietary accounting transactions.

070412. SGL Account. An account, within the uniform chart of accounts used by Federal agencies to record budgetary and proprietary accounting transactions.

070413. Vendor Payment. - The electronic transfer of funds and payment-related information or checks used by the Federal Government for payments to businesses that provide goods and services to Federal agencies and other payment recipients, such as State/local governments and educational institutions.

0705 POLICIES AND PROCEDURES

070501. General. NASA records all accounting transactions in its integrated accounting system, IFMP/ SAP. The general ledger account entries that are generated by each related accounting transaction can be at:

http://fms.treas.gov/ussgl/tfm_releases/effective05/ussgljune2004.pdf

A. Accounts payable include amounts for the following:

1. Goods and other property purchased and received.

2. Services performed by employees, vendors, contractors, grantees, and lessors supported by contractor invoices and other documentation that acknowledges receipt of service.

3. Amounts owed at the end of the accounting period under programs for which no further performance of services by payees is required (such as annuities, insurance premiums, and some cash grants).

B. Amounts recorded as payables shall be supported by documentation that clearly shows the basis for the amount recorded as a payable and the terms upon which payment is to be made.

C. The basis for recording accounts payable shall be a receiving report that clearly shows the quantities and dates received and accepted or services performed and accepted. Such quantities shall be based on actual counts of the items delivered by the vendor. When applicable, accompanying inspection reports for the goods or services shall be attached to the receiving report. In such instances, the inspection report, together with the receiving report, serves as the basis for recording the liability. The basis for recording an accounts payable service shall be signed and dated certification that services have been received and performed satisfactorily.

D. Amounts recorded as payables shall be net of all discounts offered by vendors, which are economically justified.

070502. Accounts Payable Procedures. This section contains operating procedures for accounts payable and cash disbursements. The processes described include the receipt of invoices, the processing of invoice payments, the payment approval process, the disbursement of funds and the accounts payable reconciliation tools.

A. Receipt of Invoices. Vendor invoices are received and date-stamped by the Invoice Receiver. The Vendor Invoice Processor performs preliminary checks (e.g. banking information in vendor master, vendor master data correct), enters the invoices into SAP, and assigns them to the appropriate Processor (Vendor Invoice, IPAC or HHS) based on Center criteria (e.g. Purchase Order numbering sequence). The invoices are then “parked” in SAP.

B. Processing of Vendor Invoices

1. The Vendor Payment Processor accesses parked vendor invoices and is responsible for ensuring the original invoice is returned to the vendor within 7 days of receipt if Prompt Payment requirements are not met. The Vendor Payment Processor is also responsible for tracking all returned invoices and correctly matching them with the re-submitted invoices.

2. A two or three-way match (compare the invoice with the PO and if applicable the goods receipt) is performed by the Vendor Payment Processor to compare quantity and dollar amount between the invoice and SAP. If the invoice passes all status checks, the invoice is placed in "Park Complete" status and routed to all required approvers. After approvals are obtained, the invoice is posted (the "Post" command in SAP saves the document and updates the general ledger). If the invoice fails the status checks, the Vendor Payment Processor will confirm the obligation amount, the procurement line item (PLI) and make the necessary downward adjustments. The invoice is routed to required approvers and posted, upon approval.

3. Then the Vendor Payment Processor will generate the payment proposal which is reviewed by the Accounts Payable Certification Processor. Necessary adjustments, if any, are made and the invoices are scheduled to be paid. LINK to the Cash Disbursement process detailed in the Accounts Payable Cycle Memo).

4. When the vendor does not receive a payment, the Vendor Payment Processor will determine the reason. The Vendor Payment Processor will verify that the payment was issued to the correct vendor, if the payment has cleared Treasury or if the payment was issued to an incorrect vendor and take the necessary actions. When the Vendor Payment Processor determines the status of the payment, the requestor will be notified. If the payment issued was to an incorrect vendor, the Vendor Payment Processor will reissue the check when a credit is received and forward the proper information to the Treasury and if necessary forward the information of the wrong payment to Accounts Receivable.

C. Processing of IPAC Invoices.

1. The Vendor Invoice Processor forwards all intra-agency invoices to the IPAC Processor who handles all transactions between SAP and the IPAC system (LINK to A/P cycle memo regarding IPAC Payment Process). The SAP payment run triggers the interface to pick up IPAC transactions and the download of IPAC transactions are initiated for the appropriate ALC. These IPAC transactions either 1) send information to federal customers' bank accounts to reduce their funds for amounts billed to them through the IPAC/ SAP interface, or 2) increase their funds for IPAC A/P invoices that are being paid to them.

2. The Vendor Payment Processor analyzes IPAC invoices not on the interface error log to determine if reimbursement is due from other Centers, and the initiator of the transaction is informed if an adjustment is required. For IPAC invoices on the error log, the Vendor Payment Processor will record the cost and disbursement in SAP and then post these transactions.

D. Processing of Travel Invoices.

1. The Travel Manager Authorization process in the Travel Manager System depends on the actions of three roles, preparers, reviewers, and approvers, to ensure that errors are detected and corrected before the Travel Authorization is sent to SAP. The process begins when the traveler or preparer enters the itinerary, expenses, and accounting data, and stamps it "SIGNED." This stamp initiates the electronic routing of the document through the approval process.

2. The Funding Organization Manager begins the approval process with a review of the travel itinerary and accounting data for accuracy and validity. If the Travel Authorization is correct, the manager stamps the Travel Authorization to continue the routing process. If it is not correct, the manager may edit the incorrect information and stamp the Travel Authorization to continue the routing process or he/she may stamp the document "RETURN" for the traveler/preparer to correct along with an explanation in the remarks section as to why the document is being returned.

3. Once the document is stamped "APPROVED," it is queued for batch processing into SAP. If the Travel Authorization document is correct, it successfully posts a funds commitment document in SAP. If there are errors in the Travel Authorization, the interface does not post the document in SAP, and it returns an error on the Run Status Report. The Travel Authorization Processor is responsible for researching errors; correcting errors and entering approved Travel Authorization documents into SAP.

4. A Travel Voucher is created from the Travel Authorization in Travel Manager, which supplies much of the needed data for the Travel Voucher. The Funding Organization Manager reviews the components of the Travel Voucher to confirm that the cost is reasonable and that the accounting code information is correct. If the Travel Voucher is correct, the Funding Organization Manager stamps the Travel Voucher to continue the routing process. If the Travel Voucher is not correct, the Funding Organization Manager may do one or two things: (1) edits the incorrect information and stamps the Travel Voucher to continue the routing process or (2) stamp it "RETURN" with an explanation in the remarks columns so that the traveler can correct any errors.

5. The Travel Office performs the last step of the Travel Voucher routing process before the data is picked up by the interface. If the Travel Voucher includes errors, the Travel Office stamps it "RETURN" for the Traveler to correct. Once the Travel Voucher is correct, the Travel Office stamps the document "DISBURSE," which marks the Travel Voucher as complete and locks it from future edits. After the Travel Voucher is stamped "DISBURSE," it is queued for batch processing and payment in SAP. Travel Voucher documents are batch processed four times a day and stamped "DATA LINK" once the batch run is complete. If there are errors in the Travel Voucher, the batch interface does not process the document. The interface generates a Run Status Report, which lists the failed documents with

accompanying error messages. The Travel Payment Processor reviews and corrects the failed documents.

6. After the travel vendor invoices are approved and entered into the system, the Vendor Payment Processor or the Travel Payment Processor will generate the payment proposal (schedule). The payment proposal/schedule is reviewed by the Accounts Payable Certification Processor and will instruct the Travel Payment Processor to make any adjustments. Once any adjustments are made, the travel vendor invoices are scheduled to be paid

E. Processing of HHS Invoices.

1. The Health & Human Services Processor (HHS Processor) handles all manual processes involved to create and maintain the grant recipient account, maintain vendor information and issue necessary letters to recipients. After the recipient account is established, the HHS data interfaces with SAP to update disbursements and costs at the line item level. The drawdown interface posts one drawdown per institution in SAP. SAP spreads drawdown amounts across appropriate outstanding grants or cooperative agreements for the institution. Drawdowns are distributed across all PO's for the recipient by relative PO percentage using the Agency defined algorithm (oldest money first).???

2. All SF272 data interfaces with SAP to automatically update and adjust costs and disbursements at the line item level. The HHS system sends actual amounts that will be spread by grant through the SF272 interface. When there are errors in the interface data, the HHS Processor will receive an error message report. It is the responsibility of the HHS Processor to access the errors, make the corrections and reprocess failed documents. LINK to detailed discussion on the grant process in the Grant and Single Audit Cycle memo.

F. Cash Disbursement Reviews, Approvals and Cash Disbursements.

The Cash Disbursement business process consists of two processes: the SAP transactional data process and the Secure Payment System (SPS) payment transmittal (to Treasury) process. Each process has its own approval and review procedures performed by different levels of management within the organization. The two procedures are detailed below.

1. SAP – Payment Proposal/Schedule Process. The Vendor Payment Processor or Travel Payment Processor pulls the detail payment proposal/schedule together for the check run. The Lead Vendor Payment Processor reviews the detailed payment proposal/schedule for accuracy. The Accounts Payable Certification Processor verifies the detailed payment proposal/schedule, prints the proposal to create and certify a payment for Treasury from SAP and forwards the detailed file to Treasury. The Accounts Payable Certification Processor also creates the summary schedule (Number of invoices, Total dollar value payments, control number) from data

obtained in SAP and forwards it to the Secure Payment System (SPS) Data Entry Operator.

2. SPS - Payment Proposal/ Schedule Certification Process.

Once the detailed payment proposal file has been forwarded, via SAP, to Treasury, the printed proposal needs to be certified and sent to Treasury. This certification function is performed by the SPS system. The SPS system must be accessed by one of the Security Administrators before any data can be input or certified. The SPS Data Entry Operator (SPSS Maintainer) inputs the summary payment proposal/schedule provided by the Accounts Payable Certification Processor into the SPS system.

3. After the data is entered, the summary payment proposal data is verified by one of the Certification Officers. The summary report is compared to the detailed payment proposal/schedule SAP file totals. Once the totals are verified, the Certification Officer certifies the data and submits the file to the Treasury. The Treasury will then compare the certified summary file with the detailed file sent from SAP. After the comparison is made, and assuming no errors were noted, the Treasury will send confirmation back to the Certification Officer once the file is processed for payment.

4. After the Treasury processes the file and confirms the payments, the confirmation will be posted into SAP by the Treasury interface. The Treasury confirmation is interfaced into SAP at the NASA Competency Center and then forwarded to the appropriate Center. The Center then verifies the confirmed data in SAP.

G. Account Relationships and the Automated Reconciliation Tool. To ensure the integrity of the data within general ledger, there are various account relationships that must remain in balance at all times. NASA Headquarters has identified ten relationships used to validate proper general ledger accounts postings. These relationships are part of the mandated month-end reconciliations performed by all Centers. Three of these account relationships pertain to the accounts payable and cash disbursements processes are identified below.

Equation	Relationship			Test
1	49X1	=	21XX +221X	Payables - ITD
2	49XX	=	6100.XXXX - 6100.8XXX + 6330.XXXX + 6400.XXXX	Budgetary to Proprietary - YTD
3	5700	=	6100 + 6330 + 6400 (Direct)	Funded Expenses - YTD

1. With the inception of this tool, the processes for identifying and fixing discrepancies have been standardized across the Agency. However equation 2, Budgetary Proprietary affects accounts payables when the payable is created, however it would be the cost accrual that is in error not an AP disbursement or invoice. Also,

funded expenses do not impact AP since they do not have an AP relationship. These reconciliations are performed by the SGL group.

2. Any issues are logged on standard error logs provided by the Competency Center. These logs are sent to the Competency Center where the discrepancies are investigated and the root causes are fixed. Competency Center actions must be reviewed and approved by the source Center, the Office of the Chief Financial Officer, and NASA Headquarters. Once the root cause is fixed, the Competency Center will either fix the problem entries, or return the errors to the source Center for correction.

H. Module-to-Module Reconciliation. The aim of the module-to-module reconciliation is to make sure that the postings in the general ledger accurately reflect or are equal to postings in the funds management module. In particular, the module-to-module reconciliation is concerned with comparing cumulative totals for the following budgetary classifications: authority, commitments, obligations, costs, and disbursements. The totals for these classifications are taken from the Funds Management module and compared to accounts 4610.2000 & 4590.0000, 4700.0000, 4801.0000, 4901.0000, and 4902.0000 respectively. The accounts payable and cash disbursement cycles are affected by the module-to-module reconciliations for costs and disbursements. This reconciliation is done on a monthly basis.

1. To make accurate comparisons between the FI module, as shown in the general ledger, and the funds management module, two reports are currently used. The FI data is gathered by running the GR55 – ZBW2 report for each of the accounts listed above. The FM data is gathered by using the ZNASAST5B report. Any discrepancies are investigated in SAP and reported with the Competency Center as service requests.

2. In the future, the module-to-module reconciliation will be automated through the account relationship reconciliation tool described above. The user will be able to get the total of the discrepancies for authority, commitments, obligations, costs, and disbursements. The user will also be able to drill down on the results by fund and fund center. Similar to the account relationship reconciliations, the user will log all errors into a spreadsheet and send the spreadsheet to the Competency Center. The Competency Center and the Office of the Chief Financial Officer (OCFO) will then be responsible for correcting both the root cause and erroneous transactions.

I. Final Accounts Payables Reconciliation. The final accounts payable reconciliation involves checking all general ledger accounts for improper balances. This check is completed on a monthly basis as part of the month-end procedures, to find incorrect postings in not just the accounts payable accounts but in all accounts. Currently, this is performed by the SGL group and incorrect transactions may/may not be identified until the account reaches an abnormal balance.

1. A trial balance by appropriation is reviewed to determine which account and appropriation combinations have abnormal balances. Abnormal balances will be investigated and each Center will fix transactional errors or submit service requests to the Competency Center.

070503. External Reporting. For accounts payable external reporting requirements, please refer to Volume 8, External Reporting.

0706 NASA ON-LINE QUICK REFERENCES (OLQR)

070601. The following URLs provide additional assistance:

A. OLQR website. Check the transaction listing for Federal securities. http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/SAP_Pro_Formas.htm

B. This document details the procedures for periodic review of financial activities. Specifically, Section 1.6.5, Review Abnormal Accounts Payable for SGL account 2110.1000. <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

C. SAP On-line Quick Reference. This listing provides the transaction code that can be found in the current USSGL guidance. http://olqr::cf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Pro_Forma_Transaction_Listing.htm

D. SAP On-line Quick Reference. [http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Pro_Forma_Disbursements_and_Payables_\(B_series\).htm](http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Pro_Forma_Disbursements_and_Payables_(B_series).htm)

E. SAP On-line Quick Reference. http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Pro_Forma_-_Subject_Index.htm

CHAPTER 8**UNEARNED REVENUE AND OTHER LIABILITIES**0801. OVERVIEW

This chapter prescribes the accounting principles and policy and related requirements necessary to establish financial control over the NASA liabilities not discussed in separate chapters in this Volume.

0802. AUTHORITY AND REFERENCES

080201. Unearned revenue and other liabilities policies and procedures are developed in accordance with the following references.

A. Treasury Financial Manual Volume I Part 2 Chapter 4700, Closing Package for the Governmentwide Financial Report System (GFRS);

B. Agency Reporting Requirements for the Financial Report of the United States Government.

C. http://fms.treas.gov/factsi/2004Combined_TFM-Maste_5-6-04.pdf

D. Federal Agencies' Centralized Trial-Balance System (FACTS II) <http://fms.treas.gov/factsii/index.html>

E. Statement of Federal Financial Accounting Standard No.7, Accounting for Revenue and Other Financing Sources <http://fasab.gov/pdffiles/sffas-7.pdf>.

F. Statement of Federal Financial Accounting Concepts No. 2, Entity and Display, <http://fasab.gov/pdffiles/sffac-2.pdf>.

G. Attributes. Required attributes for applicable standard general ledger accounts:

1. Advances from Others (SGL account 2310) have a normal credit account balance. Each transaction should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code.

2. Liability for Deposit Funds, Clearing and Undeposited Collections (SGL account 2400) has a normal credit account balance. Each transaction should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code.

3. Contingent Liabilities (SGL account 2920) has a normal credit balance. Each transaction should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code.

4. Capital Lease Liabilities (SGL account 2940) has a normal credit balance. Each transaction should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code.

5. Accounts Payable from Cancelled Appropriations (SGL account 2960) has a normal credit balance. Each transaction should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code.

6. Custodial Liability (SGL account 2980) has a normal credit account balance. Each transaction should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code. Additionally, NASA must identify whether or not it is custodial or non-custodial.

7. Other Liabilities (SGL account 2990) has a normal credit account balance. Each transaction to this account should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code.

8. Estimated Cleanup Cost Liability (SGL Account 2995) has a normal credit balance. Each transaction should identify whether it involves a federal or non-federal agency. For intragovernmental purposes and CFO reporting, NASA must identify the trading partner code.

0803 DEFINITIONS

080301. Unearned Revenue - Unearned revenue consists of amounts received in advance for goods and services to be delivered at a future date, liens approved and accepted as claims on assets acquired through default, property used by NASA that is owned by others, and liabilities for funds awaiting final disposition.

080302. The accounts used to record financial transactions related to unearned revenue include:

A. Advances from Others (SGL Account 2310). This account is used to record funds received by other Federal and non-Federal entities in contemplation of the future delivery of services, goods or other assets.

B. Liability for Deposit Funds, Clearing and Undeposited Collections (SGL Account 2400). This account represents amounts in deposit funds for receipts held in suspense, temporarily for later refund or payment to some other Treasury fund or other entity, or held by the NASA as banker or agent for others for payment at the direction of the owner. The amounts in deposit funds may also represent budget clearing accounts (e.g., F3875) awaiting disposition or reclassification. The liability includes United States (U.S.) currency and coin on hand, cash on deposit at designated depositories, cash in the hands of disbursing officers, cashiers and agents, negotiable instruments on hand, etc. Such funds are not available for paying salaries, grants, or other expenses of the federal government. Sources for entries to this account include requests for cash, cash collection vouchers, deposit tickets, and invoices for transferred funds.

080303. The accounts used to record financial transactions related to other liabilities include:

A. Contingent Liabilities (SGL Account 2920). Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss to an entity. These uncertainties will be resolved in the future when one or more events occur or fail to occur (e.g., a contractor claim for additional costs is received).

B. Capital lease liabilities (SGL Account 2940). Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. The amount to be recorded by the lessee as a liability under capital lease is the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory cost (i.e., insurance, maintenance and taxes) to be paid by the lessor. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the liability should be the fair value. If the portion of the minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated

C. Accounts Payable from Canceled Appropriations (SGL Account 2960). When an appropriation account is closed, any remaining balances in the account are required to be cancelled and are not available for obligation or expenditure for any purpose. However, legitimately incurred obligations that have not been paid at the time an appropriation is cancelled should be reinstated to Accounts Payable Canceled and paid out of a current unexpired appropriation that is available for obligation for the same purpose as the closed account.

D. Custodial Liability (SGL Account 2980). This account is used to record the amount of custodial revenue yet to be transferred to another Federal entity.

E. Other Liabilities (SGL Account 2990). Other liabilities include measurable and probable expected future outflows of resources resulting from past transactions or events, and the estimated costs of conditions, situations, or circumstances that will be resolved in the future. "Other Liabilities" represents amounts not otherwise classified to specific liability accounts discussed in this Volume.

F. Estimated Cleanup Cost Liability (SGL Account 2995). Estimated Cleanup Cost Liability represents the estimated liability for projected future cleanup costs (not yet due and payable) associated with removing, containing, and disposing of (1) hazardous waste from property, or (2) material and property consisting of hazardous waste and permanent or temporary closure or shutdown of the associated property, plant, and equipment.

0804 POLICIES AND PROCEDURES

080401. NASA records all accounting transactions in its integrated accounting system, IFMP/ SAP. The general ledger account entries that are generated by each accounting transaction, that is applicable for NASA unearned revenue and other liabilities can be viewed at [Treasury USSGL web site](#).

080402. Advances. Advances received are transfers of assets from the public and other federal entities to cover future expenses or the acquisition of other assets. All advances, including those under any long-term contract in excess of revenue earned, shall be recorded as unearned revenue. The NASA activities receiving an advance (unearned revenue) shall record the amount received as a liability until payment is earned (goods or services have been delivered or contract terms met). After the payment is earned (performance has occurred), NASA activities shall record the appropriate amount as revenue and reduce the liability accordingly. The two major activities for which NASA receives advances are as follows:

A. Reimbursable Activities. NASA provides services to other Federal agencies and to the public on a reimbursable basis. When a non-federal customer enters into a reimbursable agreement with NASA, the customer is required to pay for services in advance unless exempted by law. Generally, Federal customers are not required to pay for services in advance.

B. Working Capital Fund Activities. The appropriation language for NASA's WCF permits the fund to receive advances for supplies and services. Therefore, the WCF business entities shall be advanced funds identified in the WCF customer orders during the fiscal year, as required, to enable the WCF activity to pay for its costs of operation.

080403. Custodial Activity. Federal entities are required to complete the Statement of Custodial Activity for collections of non-exchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities. If some of the non-exchange revenue is transferred to others and some of the non-exchange revenue is retained as a reimbursement for the costs of collection, they shall be reported on the Statement of Custodial Activity and the amounts retained shall also be reported on the Statement of Net Cost. The collecting entities do not recognize as revenue those collections that have been or should be transferred to others as revenue. Rather, they shall account for sources and disposition of the collections as custodial activities on the Statement of Custodial Activity. An exception to requiring preparation of the Statement of Custodial Activity is made when collecting entities have custodial collections that are non-material and incidental to their primary mission. In these cases, the sources and disposition of the collections may be disclosed in footnotes to the financial statements. NASA custodial activity does not warrant the preparation of the Statement of Custodial Activity.

080404. External Reporting. For unearned revenue external reporting requirements, please refer to Volume 8. External Reporting.

0805 NASA ON-LINE REFERENCES

080501. The following URLs provide additional assistance:

A. Periodic Monitoring Controls Performed by Centers. This document details the procedures for periodic review of financial activities. <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>

B. Verify Account relationships [2310]
http://olqr-cf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.4_Verify_Account_Relationships.htm

C. Analyze SGL Accounts for Abnormal Balances http://olqr-cf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.3_Analyze_SGL_Accounts_for_Abnormal_Balances.htm

D. Reconcile and Review Reimbursable Advances http://olqr-cf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.7_Reconcile_and_Review_Reimbursable_Activity.htm

E. Compare Beginning Balances to Ending Balances [http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.16 Compare Beginning Balances to Ending Balances.htm](http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.16_Compare_Beginning_Balances_to_Ending_Balances.htm)

F. Pro Formas to Document Types for Manual JV's http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Pro_Formas_to_Document_Types_for_Manual_JV_s.htm

G. Reconcile and Review Reimbursable Advances [http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.7 Reconcile and Review Reimbursable Activity.htm](http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.7_Reconcile_and_Review_Reimbursable_Activity.htm)

H. Compare Beginning Balances to Ending Balances [http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.16 Compare Beginning Balances to Ending Balances.htm](http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.16_Compare_Beginning_Balances_to_Ending_Balances.htm)

I. Pro Formas to Document Types for Manual JV's http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Pro_Formas_to_Document_Types_for_Manual_JV_s.htm

J. SAP Pro Forma Transaction List http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/SAP_Pro_Forma_s.htm

K. Advances from others [http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Advances_from_Others_\(2310.0000\).pdf](http://olqrcf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/Advances_from_Others_(2310.0000).pdf)

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CHAPTER 9**ENVIRONMENTAL AND CONTINGENT LIABILITIES**0901 OVERVIEW

This chapter prescribes the accounting policy and procedures for recognizing and disclosing environmental liabilities associated with the acquisition and disposition of land, facilities, and equipment by NASA. This chapter prescribes the accounting policy for recognizing and disclosing environmental liabilities associated with environmental cleanup, also known as environmental restoration, on NASA Centers.

Legal action, depending on the possibility of a negative outcome for the agency, can create a contingent liability that must be recognized in the agency's financial statements. This chapter prescribes the accounting policy and procedures for recognizing and disclosing those contingent liabilities.

In all cases, recognition of an environmental or contingent liability shall not be based on the current or future availability of funds. All liabilities meeting the requirements described in this chapter will be properly recorded in the system of record and reported to all concerned parties as set out in this chapter.

0902 AUTHORITY AND REFERENCES

090201. Environmental and contingent liabilities policies and procedures are developed in accordance with the following references.

A. Treasury Financial Management Manual Volume I Part 2 Chapter 4700; [Agency Reporting Requirements]

B. Treasury Financial Manual Volume I Part 6 Chapter 3100;
[Certifying Payments and Recording Corresponding Intragovernmental Receivables](#)

C. Federal Agencies' Centralized Trial-Balance System (FACTS I)
[Agency Reporting Requirements](#)

D. Statement of Federal Financial Accounting Standard No. 1, "Accounting for Selected Assets and Liabilities", September 1995;
[\[SFFAS No. 5\]](#)

E. Statement of Federal Financial Accounting Standard No. 5, "Accounting for Liabilities of the Federal Government" related to environmental cleanup, June 1996; [\[SFFAS No 5\]](#)

F. Statement of Federal Financial Accounting Standard No. 6, “Accounting for property, plant, and equipment” related to environmental cleanup costs, June 1996; [[SFFAS No. 6](#)]

G. OMB Bulletin No. 01-02, “Audit Requirements for Federal Financial Statements,” October 16, 2000; [[OMB 01-02](#)]

H. OMB Bulletin No. 01-09, “Form and Content of Agency Financial Statements,” September 25, 2001; [[OMB 01-09](#)]

I. United States Standard General Ledger; [[USSGL Fiscal Year 2004-2005 Reporting](#)]

J. Accounting and Auditing Policy Committee, Technical Release 2, “Environmental Liabilities Guidance,” March 15, 1998; [[Accounting and Auditing Policy](#)]

K. AICPA Statement of Position 96-1, “Environmental Remediation Liabilities” October 10, 1996; [Available in hardcopy only]

0903 DEFINITIONS

090301. Contingent Liabilities (Standard General Ledger Account 2920) represents the amount that is recognized as a result of a past event where a future outflow or other sacrifice of resource is probable and measurable.

090302. Estimated Cleanup Cost Liability (Standard General Ledger Account 2995) represents the estimated liability for projected future cleanup costs (for which funding has not been appropriated) associated with removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property consisting of hazardous waste at permanent or temporary closure or shutdown of the associated property, plant, and equipment.

090303. Recognized Liability means the formal recording or incorporating of a liability into the financial statements of the Agency. (Source: FASAB Consolidated Glossary).

090304. Disclosed Liability means the reporting of a liability in notes or narrative regarded as an integral part of the basic financial statement. (Source: FASAB Consolidated Glossary).

0904 POLICIES AND PROCEDURES

090401. Criteria for Recognition of a Contingent Liability (SFFAS No. 5).
A contingent liability should be recognized when all of these three conditions are met:

A. A past event or exchange transaction has occurred (e.g., a federal entity has breached a contract with a nonfederal entity).

B. A future outflow or other sacrifice of resources is probable (e.g., the nonfederal entity has filed a legal claim against a federal entity for breach of contract and the federal entity's management believes the claim is more likely than not to be settled in favor of the claimant).

C. The future outflow of resources is measurable (e.g., the federal entity's management determines an estimated settlement amount).

The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed.

090402. Criteria for Determining Environmental Cleanup Costs. Key factors must be considered in determining whether a future outflow of resources from a federal agency for environmental cleanup is probable. A detailed explanation of these factors can be found in Federal Financial Accounting and Auditing, Technical Release 2, "Determining Probable and Reasonable Estimable for Environmental Liabilities in the Federal Government." [[Accounting and Auditing Policy](#)] The factors are:

- A. Likely Contamination
- B. Government Related and Legally Liable
- C. Government Acknowledged Financial Responsibility
- D. Monies Appropriated/Transaction Occurred
- E. No Known Remediation Technology Exists

090403. Liability Cost Estimates.
A. Liability cost estimates may be prepared at the Center or other organizational level. Cost estimates prepared for this purpose shall consider, on a full cost basis, the anticipated costs of the level of effort required to dispose of the item, as well as the cost of complying with associated applicable legal and/or regulatory

requirements. Such estimates should be based on the current disposal or reuse technologies available. Cost estimates shall be revised when there is evidence that significant changes in the cost estimates have occurred. At a minimum, long-term cost estimates shall be adjusted annually to maintain them on a current full cost basis.

B. Cost estimates are subject to audit. The preparation of cost estimates may involve the application of specialized tools, methods, accumulation and study of historical costs, and/or the conduct of technical analyses. Organizations that prepare cost estimates must retain adequate documentation to identify data sources, estimating methods, and rationale used. Documentation of management reviews must also be retained. Any estimate produced must be based on site-specific information, engineering estimates, or validated cost models.

C. Estimates for liability costs should be offset by estimated cash proceeds only when the proceeds are permitted used by the organization that funds the cleanup costs.

090404. Recording and Reporting Liability Cost.

A. Contingent Liabilities.

1. During the fourth quarter of each fiscal year as part of end-of-year procedures, each Center reports information relating to all pending or threatened litigation, claims and assessments, including cases to be paid from the Judgment Fund, against the Agency to the Office of the Chief Financial Officer. Data is also collected from the General Counsel Office at NASA headquarters for claims at the agency level. Data is due to the Agency OCFO Office by September 30th.

2. The data collected, is summarized into three categories: probable, reasonably possible, and remote. "Probable" includes amounts where there is more than a 50 percent chance of a payment being due. "Reasonably possible" is when there is less than a 50 percent chance and "remote" is when there is little or no chance of a payment being required in the future.

3. Amounts classified as probable are recognized in the accounting systems and reported on the consolidated balance sheet. Amounts reported as reasonably possible are disclosed in the footnotes to the financial statements. Amounts reported as remote are not included in the reports.

4. Summary data of commitments and contingencies is reported annually by each Center to be included as a line item or footnote to FACTS I and the NASA Accountability Report. This data reflects the Agency's position at the end of the fiscal year. The data includes all Agency financial commitments and contingencies stated at the maximum limit of risk, not the expected cost.

5. Detailed Center reporting instructions are in appendix A to this chapter. Three categories of probability shall be identified in the transmittal; “probable”, “reasonably possible”, and “remote”

B. Environmental Liabilities.

1. During the year, NASA’s environmental engineers and scientists may be alerted to new information that may result in a change to existing (recorded) liabilities or a new, future liability. That information is processed in accordance with procedures described in the NASA Environmental Restoration Handbook. The Handbook complies with Federal, State, and Local laws including Comprehensive Environmental Response and Liability Act (CERCLA) of 1980, (Pub. L. 96-510, as amended) and Resource Conservation and Recovery Act (RCRA) of 1976, (Pub. L. 94-580, as amended).

2. During the fourth quarter of each fiscal year, the Office of Management Systems (OMS), Environmental Management Division, issues a data request to all the Center environmental offices for an estimate of potential environmental liabilities. The estimate is derived by each center utilizing the Integrated Data Evaluation & Analysis Library (IDEAL). The IDEAL System creates reports for each individual project. Each report contains updated assumptions made during the year for the project and forms a basis for any accrued liability.

3. The IDEAL reports are summarized and submitted to the Office of the Chief Financial Officer at NASA Headquarters by September 30th. A year-end adjustment is posted in SAP by headquarters accounting personnel. A journal voucher is used to post the net change from the prior year to the current year at the Agency level. The new balance is reported on the Trial Balance prior to the generation of the Annual Performance and Accountability Report.

4. The Environmental Management offices in NASA are the official depository for all records, both electronic and hardcopy, to support estimates for environmental liabilities. Questions and inquiries concerning the summarized data submitted through these offices to the OCFO for recording and disclosure should be traced back to the official records.

C. Materiality.

1. The recognition and disclosure of liability cost estimates in financial statements is subject to materiality criterion. Statement of Federal Accounting Standards No. 1, “Accounting for Selected Assets and Liabilities,” states materiality depends on the degree to which omitting or misstating information about an item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.”

2. Materiality has both quantitative and qualitative aspects. Even though quantitatively immaterial, certain types of misstatements could have a material impact on or warrant disclosure in the financial statements for qualitative reasons.

3. The determination of materiality requires the application of professional judgment. The determination of materiality for any liability estimate will be made based on the specific facts of the case. Detailed records will be maintained to support all materiality decisions in the event they are needed in future audits or litigation.

4. Liability estimates that are material shall be recorded in the accounting system and reported in financial statements as of the report date.

090405. Quality Assurance. To ensure that all required data on contingent and environmental liabilities are received accurately and timely, reporting requirements are included in the annual Fiscal Year End Checklist. The annual checklist includes due dates, points of contact, and any special requirements for the reporting period. The NASA Office of the Chief Financial Officer publishes the checklist each year during the last quarter of the fiscal year.

090406. External Reporting. For environmental and contingent liabilities external reporting requirements, please refer to Volume 8 External Reporting.

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CHAPTER 10**REVENUES, OTHER FINANCING SOURCES, AND GAINS**1001 OVERVIEW

This chapter sets forth the accounting policy and procedures to account for revenues, other financing sources, and gains. For purposes of this chapter, revenues are defined as inflows of resources the Government demands, earns, or receives by donation. Revenue comes from two sources: exchange transactions and nonexchange transactions. Other financing sources result from the use of appropriated funds, the receipt of transfers, and the recording of imputed financing. Exchange revenues arise when a government entity provides goods and services to the public or to another government entity for a price, or more specifically, the income resulting from completing customer orders. Nonexchange revenues arise primarily from the exercise of the government's power to demand payments from the public, such as taxes, duties, fines, and penalties. Nonexchange revenue also includes donations.

1002 AUTHORITY AND REFERENCES

100201. Revenues, other financing sources and gains policies and procedures are developed in accordance with the following references.

A. Statement of Federal Financial Accounting Standard No.7, Accounting for Revenue and Other Financing Sources

B. Statement of Federal Financial Accounting Standard No.7, Accounting for Revenue and Other Financing Sources, Implementation Guide

C. Statement of Federal Financial Accounting Standard No. 21, Reporting Corrections of Errors and Changes in Accounting by the Internal Revenue Service, Customs and Others

D. Statement of Federal Financial Accounting Concepts No. 1, Objectives of Federal Financial Reporting

E. Statement of Federal Financial Accounting Concepts No. 3, Entity and Display

F. Periodic Monitoring Controls Performed by Centers. This document details the procedures for periodic review of financial activities.

[NASA Financial Management Manual, Appendix 9392-2A](#)

G. Required attributes for following standard general ledger accounts described in this chapter. For further government wide guidance on the attributes for these accounts, refer to the Treasury USSGL various attribute chapters and sections at [TFM Fiscal Year 2004 and 2005 Reporting](#).

Table 10-1

Account Number	USSGL Account Title	Normal Balance Indicator	Federal/ Non Federal	Trading Partner	Exchange/ Non Exchange	Budget Sub-function	Custodial/ Non Custodial
5200	Revenue from Services Provided	C	Y	Y	X	Y	
5310	Contra Revenue from Services Provided	D	Y	Y	X	Y	
5310	Interest Revenue	C	Y	Y	Y	Y	
5311	Interest Revenue - Investments	C	Y	Y	Y	Y	Y
5318	Contra Revenue for Interest Revenue – Investments	D	Y	Y	Y	Y	Y
5319	Contra Revenue for Interest Revenue - Other	D	Y	Y	Y	Y	Y
5320	Penalties, Fines, and Administrative Fees Revenue	C	Y	Y	Y	Y	Y
5329	Contra Revenue for Penalties, Fines, and Administrative Fees	D	Y	Y	Y	Y	Y
5600	Donated Revenue – Financial Resources	C	N		T		
5609	Contra Revenue for Donations – Financial Resources	D	N		T		
5610	Donated Revenue – Non Financial Resources	C	N		T		
5619	Donated Revenue – Non Financial Resources	C	N		T		
5700	Expended Appropriations	C					
5708	Expended Appropriations – Prior Period Adjustments – Restated	C					
5709	Expended Appropriations – Prior Period Adjustments – Not Restated	C					
5720	Financing Sources Transferred in Without Reimbursement	C	F	Y			
5730	Financing Sources Transferred out Without Reimbursement	D	F	Y			
5780	Imputed Financing Sources	C	F	Y			
5900	Other Revenue	C	Y	Y	Y	Y	Y
5909	Contra Revenue For Other Revenue	D	Y	Y	Y	Y	Y

Account Number	USSGL Account Title	Normal Balance Indicator	Federal/ Non Federal	Trading Partner	Exchange/ Non Exchange	Budget Sub-function	Custodial/ Non Custodial
5990	Collections for Others	D	Y	Y	Y	Y	S
5991	Accrued Collections for Others	D	Y	Y	Y	Y	S

Table 10-2, Key to Above Table

Column Heading	Field Values
Normal Balance Indicator	D represents debit balance C represents credit balance
Federal/ Non Federal	Y means that the field must be populated with either F or N F means Federal N means Non Federal
Trading Partner	Y means that the field is required NASA must provide the Treasury Department Code of the other Federal entity involved in transactions with the reporting entity.
Exchange/Non Exchange	Y means that the field is required. T in this column means that the required indicator for this specific general ledger account. X indicates the revenue balance being reported is exchange revenue; T indicates that the revenue balance being reported is non-exchange revenue.
Budget Sub Function	Sub functions used in the classification of data according to major purpose served. Congressional Budget Act of 1974 requires these classifications.
Custodial/Non Custodial	- Indicates whether the balance being reported is custodial (S) or non custodial (A) in nature, and was reported in a Statement of Custodial Activity or separate footnote of custodial activity. NASA reports custodial activity in a separate footnote.

1003 ROLES AND RESPONSIBILITIES

100301. Headquarters.

A. The NASA Deputy Chief Financial Officer for Financial Management (or their designee), NASA Headquarters is responsible for the approval of waiver request when there is a separation of duties and tasks violation.

B. The Chief, Financial Reports Branch will review the waiver request and recommend its disposition to the NASA Chief Financial Officer.

C. The Agency Vendor Payment Processor is responsible for processing all commercial invoices for contracts that are shared between the different centers. The process is not any different than the vendor payment processor with the exception that the agency role will have the capability of paying contracts that are shared by other centers.

D. The Agency Health & Human Services Processor is responsible for reconciling Centers' and HHS's data and running reports within the SAP system. They will also ensure that each center is properly charged for its recipients' drawdown and billed each month for all IPAC transactions.

100302. Centers.

A. The NASA Deputy Chief Financial Officer for Financial Management (or their designee Center's Chief Financial Officer. Waivers will be reviewed and handled on a case-by-case basis. The waiver request will require the signature of the Center's Chief Financial Officer.

B. When the waiver request involves purchasing roles, the signature of the Center's Procurement Officer will also be required.

1004 DEFINITIONS

100401. Revenue from Services Provided – (standard general ledger account 5200). Revenue earned from the sale of services provided.

100402. Contra Revenue for Services Provided – (standard general ledger account 5209). The amounts posted reflect a reduction in revenue for services provided when collection of amounts of revenue accrued is not expected. Amounts recorded are based on adjustments, returns, allowances, price re-determination, and refunds other than taxes where revenue is earned, but does not include credit losses.

100403. Exchange Revenue. Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price.

100404. Nonexchange Revenue. Nonexchange revenues include amounts the Federal Government is able to demand or receive due to its sovereign powers.

100405. Other Financing Sources. Other financing sources provide inflows of resources that increase results of operations during the reporting period and include appropriations used, transfers of assets from other government agencies, and imputed financing.

100406. Appropriations Used – (standard general ledger account 5700). Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized) are considered provided to NASA when a liability is established.

100407. Imputed Financing - (standard general ledger account 5780). This amount includes financing of certain costs by one Federal entity on behalf of NASA (e.g., the payment of certain employee benefit costs by OPM for employees of NASA). Imputed financing shall equal the amount of imputed costs.

100408. Transfers of Assets from another Federal agency - (standard general ledger account 5720). The amount determined to increase the financing source of a reporting entity that occurs as a result of an asset being transferred in. The amount of the asset is recorded at the book value of the transferring entity.

100409. Transfers of Assets to another Federal agency - (standard general ledger account 5730). The amount determined which decreases the financing source of a reporting entity that occurs as a result of an asset being transferred out. The amount of the asset is recorded at the book value to the transferring entity.

1005 POLICIES AND PROCEDURES

100501. General.

A. Revenue Recognition. Revenues shall be recognized when something of value is provided to the public or another government entity at a price; that is, when the customer's accounting entity acknowledges a claim against its resources.

B. Exchange Revenue. Exchange revenue and gains are inflows of resources to a government entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Revenue from exchange transactions should be recognized when goods or services are provided to the public or another government entity at a price. Revenue from specific types of exchange transactions should be recognized as follows:

1. When services are provided to the public or another government entity (except for specific services produced to order under a contract), revenue should be recognized when the services are performed.

2. When specific goods or services are made or produced to order under a contract (either short or long term), revenue should be recognized monthly based on the ratio the costs incurred to date on that order bear to the total costs estimated to be incurred when the order is completed. If a loss is probable (more likely than not),

revenue should continue to be recognized in proportion to the estimated total cost and costs should continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract.

3. When goods are kept in inventory so that they are available to customers when ordered, revenue should be recognized when the goods are issued to the customer.

4. When services are rendered continuously over time or the right to use an asset extends continuously over time, revenue should be recognized in proportion to costs incurred or the use of the asset, as appropriate.

5. When an asset other than inventory is sold, any gain (or loss) shall be recognized when the asset is delivered to the purchaser.

6. Interest on Treasury Securities held by Trust Funds and Special Funds. The source of balances for some trust funds and special funds may not be predominantly nonexchange revenue. In such exceptional cases, the interest should be classified in the same way as the predominant source of funds, i.e., as exchange revenue.

C. Nonexchange Revenue. Nonexchange revenues are inflows of resources the government demands or receives by donation. Such revenue should be recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings. Within NASA, revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair market value of the contribution. In cases of donation of heritage assets, which are expensed if purchased, no amount is recognized if received as a donation. Correspondingly, no revenue is recognized for such donations.

D. Other Financing Sources. Other financing sources provide inflows of resources that increase results of operations during the reporting period and include appropriations used, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of NASA's assets to other government entities. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.

1. Appropriations, until used, are not a financing source. They should be recognized as "unexpended appropriations" (and among assets as "funds with Treasury") when made available for apportionment even if the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position of the entity. When used, appropriations should be

recognized as a financing source in determining net results of operations. Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized) are considered received when a liability is established. Benefits are considered provided when the related liability is established. Grants are considered provided when grantees meet the requirements that allow them to use the grants.

2. Imputed financing. Government entities often receive goods and services from other government entities without reimbursing the providing entity for all the related costs. In addition, NASA incurs costs, such as for pensions, that are paid in part or in total by other entities. These constitute subsidized costs to be recognized by the receiving entity to the extent required by other chapters in this Volume. An imputed financing source should be recognized equal to the imputed cost. This offsets any effect of imputed cost on net results of operations for the period.

3. Transfers. An intragovernmental transfer of cash or of another capitalized asset without reimbursement changes the resources available to both the receiving entity and the transferring entity. The receiving entity should recognize a transfer-in as an additional financing source in its result of operations for the period. Similarly, the transferring entity should recognize the transfer-out as a decrease in its result of operations. The value recorded should be the transferring entity's book value of the asset. If the receiving entity does not know the book value, the asset should be recorded at its estimated fair value as of the date of transfer.

Property, Plant and Equipment (PP&E) that is expensed (i.e., stewardship PP&E) may be transferred from one government entity or NASA Center to another. If the asset was classified as stewardship PP&E in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of either entity and, therefore, it is not a revenue, a gain or loss, or other financing source.

However, if the asset that is transferred was classified as general PP&E for the transferring entity but stewardship PP&E for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity. If the asset that is transferred was classified as stewardship PP&E for the transferring entity but general PP&E for the recipient entity, it is recognized as a transfer-in (another financing source) of capitalized assets by the recipient entity.

E. Gains. When a transaction with the public or another government entity at a price is unusual or nonrecurring, a gain should be recognized rather than revenue so as to differentiate such transactions. Gains result from the sale, exchange, trade or disposition of government assets (with the exception of inventory). As a general rule, any difference between the sales proceeds in excess of the book value of the assets is recognized as a gain when the asset is sold. This general rule applies to the sale of PP&E; receivables; investments; and other assets where the selling entity is entitled to retain the proceeds of the sale. In addition, the distinction between revenues and gains is

a matter of classification in the general ledger accounts and their presentation in financial statements. Revenues are commonly reported at their gross amount while gains are shown net of related book value.

F. Revenue Measurement.

1. Exchange Revenue. The measurement basis for revenue from exchange transactions should be the actual price received or receivable under the established pricing arrangements.

2. Nonexchange Revenue. Nonexchange revenue should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue (the recipient entities). Revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair value of the contribution.

100502. Revenue Policy and Procedure. This section contains the policies and procedures for recording revenues realized by NASA. The transactions discussed frequently will require a compound entry; that is, entries must be made in both the proprietary accounts and the budgetary accounts. Entries to these proprietary accounts (5000 series) normally require compound entries to budgetary accounts in the 4000 series of accounts.

NASA records all accounting transactions in its integrated accounting system, IFMP/ SAP. The general ledger account entries that are generated by each accounting transaction, applicable for NASA revenue account can be viewed at:

[USSGL TFM, Supplement No. S2](#)

A. Accounting Treatment – Exchange Revenues. Revenues earned are amounts earned and collected for property sold or services furnished either to the public or another federal accounting entity. Generally, exchange revenues earned shall recover the cost elements for goods or services provided, however, other billing prices may be established when specifically authorized by a NASA issuance (e.g., directive or instruction). Exchange revenues shall be accounted for separately by the accounting entity having responsibility for collection. Appropriate billing documents indicating the specific property delivered or services rendered, quantities, dollar amounts, and reference to each customer order shall be maintained.

1. Revenue From Services Provided (standard general ledger account 5200). Used to record revenue earned for reimbursable activities. Generally, it is at the point of sale that compound entries must be made to record the performance and earnings in both the proprietary (asset, liability, and equity accounts) and the budgetary accounts. When services are provided to the public or another government entity, revenue should be recognized in the same accounting period the services are performed. Customer orders (funded requests for goods and services) provide budgetary resources to

finance reimbursable operations; consequently, customer orders must be obligations of a federal government activity unless otherwise specified by law. Each party receives and sacrifices something of value. The proceeds are exchange revenue.

2. Contra Revenue For Services Provided (standard general ledger account 5209). This account is a contra account used to record statistical postings. The amount reflecting a reduction in revenue for services provided when collection of amounts of revenue accrued is not expected. Amounts recorded are based on adjustments, returns, allowances, price re-determination, and refunds other than taxes where revenue is earned, but does not include credit losses.

3. Interest Revenue (standard general ledger account 5310). This account represents amounts of interest earned not associated with investments. The NASA Centers holding delinquent accounts receivable are to accrue and collect interest for deposit directly to the applicable Treasury receipt accounts.

4. Interest-Investments (standard general ledger account 5311). This account represents interest revenue earned from investments.

5. Interest-Investments Contra (standard general ledger account 5318). This account balance reflects a reduction in revenue for interest accrued on investments when realization is not expected.

6. Interest-Contra Other (standard general ledger account 5319). This account balance reflects a reduction in other revenue for interest accrued not associated with investments when realization is not expected. A contra account for account 5310 that is charged when an overdue Account Receivable—and accompanying interest—is deemed uncollectible.

7. Penalties, Fines, and Administrative Fees Revenue (standard general ledger account 5320). Accounting for receivables shall include provisions for accruing interest, penalty, and administrative charges on delinquent accounts from the public (excluding federal agencies, nonappropriated fund activities, state and local governments). The NASA Centers holding delinquent accounts receivable are to accrue and collect interest, penalty and administrative charges for deposit directly to the applicable Treasury receipt accounts. The accrual of interest, penalty, and administrative charges are non-entity transactions classified as nonexchange revenue. The accrual involves a compound entry to recognize the revenue and an offsetting entry to recognize the custodial transaction. The Penalties and Fines Revenue (Credit balance) is offset by the Collections for Others (debit balance) account on the “Statement of Changes in Net Position.”

8. Contra Revenue For Penalties, Fines, and Administrative Fees Revenue – Other (standard general ledger account 5329). A contra account for standard general ledger account 5310 that is charged when an overdue Account Receivable—and accompanying penalties, fines, and fees—are deemed uncollectible.

9. Donated Revenue. Within NASA, revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair value of the contribution. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings.

a) Donated Revenue - Financial Resources (standard general ledger account 5600). Donations of financial resources consist mainly of cash and securities.

b) Donated Revenue - Nonfinancial Resources (standard general ledger account 5610). Donations of nonfinancial resources consist mainly of land, buildings or other assets and should be recorded at their fair market value.

10. Other Revenue (standard general ledger account 5900). Within NASA, other revenue represents exchange transactions generated by appropriated fund activities in the sale of goods and services and trust fund or special fund activities (other than a revolving fund) through the receipt of funds for a specific purpose.

11. Contra Revenue for Other Revenue (standard general ledger account 5909). The amount in this account reflects a reduction in revenue received (but not otherwise classified above) when realization is not expected. Amounts recorded are based on adjustment, returns, allowances, price re-determinations, and refunds other than taxes where revenue is earned. Credit losses on other nonexchange revenue also are recorded in this account. A contra account for standard general ledger account 5900 for customer invoices.

12. Collections for Others (standard general ledger account 5990). This is an offset to account 5900 for miscellaneous account receivable postings.

13. Accrued Collection for Others (standard general ledger account 5991). Amount to be collected by NASA on behalf of another entity. For amount to be collected of behalf of the General Fund of the Treasury, use FACTS I attribute domain values Federal “F” and transaction partner “00”. For all other amounts, use the appropriated FACTS I attribute.

B. Appropriated Fund Activities. The cost of providing goods or services is defrayed in whole or in part by selling the goods or services provided. Customer orders (funded requests for goods and services) provide budgetary resources to finance reimbursable operations; consequently, customer orders must be obligations of a

federal government activity unless otherwise specified by law. Each party receives and sacrifices something of value. The proceeds are exchange revenue.

C. Nonexchange Revenues. Nonexchange revenues (collections authorized by permanent provisions of law or through the authorization or appropriations process) are not matched with costs because they are not earned in the operations process. Since they represent inflows that finance operations, nonexchange revenues should be classified and recognized only in determining the overall financial results of operations for the period. Collections that are not authorized by law for retention and used as appropriation reimbursements are considered nonexchange revenue and generally shall be deposited to the General Fund of the U. S. Treasury as miscellaneous receipts. The different character of nonexchange revenues requires they be distinguished from exchange revenues and shown in a way that does not obscure the entity's net cost of operations. Nonexchange revenues should be shown on the "Statement of Changes in Net Position."

D. Other Financing Sources. Financing sources, other than exchange and nonexchange revenues, provide inflows of resources that increase results of operations during the reporting period and include appropriations used, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of the reporting entity's assets to other government entities or from exchange revenues earned by the entity but required to be transferred to the General Fund or another government entity. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used. Revenues from other financing sources should be shown on the "Statement of Changes in Net Position."

E. Expended Appropriations (standard general ledger account 5700). Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized as well as the exchange of cash for another asset) are considered received when a liability is established which is accompanied by an entry to Expended Authority - Paid or Unpaid. Benefits are considered provided when the related liability is established. Grants are considered provided when grantees meet the requirements that allow them to use the grants. Appropriations should be recognized as a financing source in determining net results of operations.

1. Expended Appropriations-PPA restated (standard general ledger account 5708). The amount of net increase or decrease to expended appropriations resulting from a prior period adjustment (PPA) that requires restatement of prior period financial statements in accordance with FASAB SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting by the Internal Revenue Service, Customs and Others." FASAB has retained the current requirement that prior period financial statements not be restated for changes in accounting principles, unless otherwise

specified in the transition instruction section of a new FASAB standard. FACTS I normal account balance assignment to this account is a credit.

2. Expended Appropriations-PPA not restated (standard general ledger account 5709). The amount of net increase or decrease to expended appropriations resulting from a prior period adjustment. The adjustment does not require restatement of prior period financial statements in accordance with FASAB SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting by the Internal Revenue Service, Customs and Others." FACTS I normal account balance assignment to this account is a credit.

3. Financing Sources Transferred in Without Reimbursements (standard general ledger accounts 5720 and 5730). The following accounts are used to record the transfers of cash or capitalized assets between NASA Centers without the receipt of a direct appropriation or transfer document being received from the Office of Management and Budget (OMB). The receiving entity should recognize a transfer in as an additional financing source in its result of operations for the period. Similarly, the transferring entity should recognize the transfer out as a decrease in its result of operations. Transfers do not include Stewardship PP&E previously expensed by the transferring activity which will continue to be used as Stewardship PP&E by the receiving activity. In such cases, the movement of property accountability for stewardship PP&E does not affect the results of operations for either the losing or gaining entity.

a. Financing Sources Transferred In Without Reimbursement (standard general ledger account 5720). Transfers in from others is used to record cash or the net book value, or fair market value if net book value is unknown, of property transferred in from another federal entity or NASA Center without reimbursement. When assets transferred in have been subject to depreciation or amortization, the accumulated depreciation or amortization shall be transferred together with the acquisition value of the asset.

b. Financing Sources Transferred Out Without Reimbursement (standard general ledger account 5730). Transfers out to others is used to record cash or the net book value, or fair market value if net book value is unknown, of property transferred to another federal entity or NASA Center without reimbursement. When assets transferred in have been subject to NASA depreciation or amortization, the accumulated depreciation or amortization shall be transferred together with the acquisition value of the asset.

4. Imputed Financing Sources (standard general ledger account 5780). The amount of financing sources recorded by the receiving Federal entity (NASA) to cover imputed costs. The balance in this account must equal the balance in USSGL account 6730, "Imputed Costs".

F. Accounting for Miscellaneous Items. Miscellaneous items are those items that are not a part of normal day-to-day operations of NASA. The following categories are normally adjustments to current period operations. The accounts within each of these categories are as follows:

1. Gains (standard general ledger account 7100). "Gains" is a control account to report gains on the disposal of NASA assets. The account is a summary account used for financial reporting purposes; no entries are made to this account. There are two subsidiary accounts under this control account: "Gains on Disposition of Assets," and "Other Gains."

2. Gains on Disposition of Assets (standard general ledger account 7110). This account is used to record the gains resulting from the sale of NASA PP&E. This gain is determined after considering acquisition cost, any accumulated depreciation, and any costs associated with the disposition. This account shall be used by NASA Centers authorized to dispose of NASA property. Sources for entries to this account include property disposal reports and cash receipt documents.

3. Other Gains (standard general ledger account 7190). This account is used to record the gain on assets (other than PP&E) resulting from events other than disposition, such as inventory and investment gains. Sources for entries to this account include journal vouchers supported by documentation computing the increased value of inventory and results of physical inventories, collection vouchers, and authorizations to dispose of NASA-held securities and NASA-owned assets.

4. Investment gains are recognized by NASA responsible for administering trust fund to record the gains realized by NASA on the sale or redemption of investments (including securities).

1006 NASA ON-LINE REFERENCES

100601. The following URLs provide additional assistance:

A. SAP On-line Quick Reference. Verify Account Relationships - http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Center_FM_Module_to_FI_Module_Special_Ledger_Reconciliation.pdf

B. SAP On-line Quick Reference. Review Direct, Reimbursable and Trust Funds for Invalid Postings - http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.12_Review_Direct,_Reimbursable_and_Trust_Funds_for_Invalid_Postings.htm

C. SAP On-line Quick Reference. Pro Forma Transaction Listing - http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Pro_Forma_Transaction_Listing.htm

D. SAP On-line Quick Reference. Pro Forma – Funding Sources (A Series) - [http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Pro_Forma_Funding_Sources_\(A_Series\).htm](http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Pro_Forma_Funding_Sources_(A_Series).htm)

E. SAP On-line Quick Reference. Analyze SGL Accounts for Abnormal Balances - http://olqr-cf.ifmp.nasa.gov/robo/projects/sap_olqr_mission_control_sgl/Standard_General_Ledger_Job_Aids/Periodic_Monitoring_Controls_Performed_by_Centers/1.3_Analyze_SGL_Accounts_for_Abnormal_Balances.htm

F. SAP On-line Quick Reference. SAP Pro Forma Transaction List – http://olqr-cf.ifmp.nasa.gov/robo/projects/sap%20olqr%20mission%20control%20sgl/Standard_General_Ledger_Job_Aids/SAP_Pro_Forma_s.htm