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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.