

CHAPTER 7
COST ASSIGNMENT

0701 COST ASSIGNMENT

070101. Assignment of service pool costs to projects and to G&A cost pools is to be based on consumption. Although there can be many ways to measure consumption and, therefore, assign costs, the key criteria for selection of a basis for cost assignment is the adequacy of the linkage between cost incurred and the benefiting party. The following will be the bases for assigning the cost of each service pool.

| Table 7-1 Service Pool Cost Allocation Basis | |
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| Service | Basis of Cost Allocation |
| Facilities and Related Service | Square Footage (planned) |
| Information Technology (IT) Service | |
| Desktop | Seats (planned) |
| Computing | Central Processing Units (CPU) (planned) |
| Telecommunications (Telephone) | Lines (planned) |
| Other IT Service | Actual Direct Labor Hours* |
| Science and Engineering Service (S&E) | Actual Direct Labor Hours* |
| Fabrication Service (FS) | Actual Direct Labor Hours* |
| Test Service (TS) | Actual Direct Labor Hours* |
| Wind Tunnel Service (WT) | Operating Shifts** |
| Independent Technical Authority/Safety and Mission Assurance Office | Actual Direct Labor Hours* |

* Actual direct labor hours include both the Civil Service and on-site contractors.

** Wind Tunnel Service pool is only applicable for Ames Research Center (ARC), Glenn Research Center (GRC) and Langley Research Center (LaRC).

070102. S&E, FS, TS, and WT services are labor-intensive; accordingly, service activity labor must be charged directly to benefiting projects or G&A. For F&RS, IT services and ITA/SMA), labor may not be charged directly to benefiting projects or G&A, but instead may be included in the service sub-pool rate.

070103. Basis of Consumption

A. For assessments that use “actual direct labor hours” as the basis of consumption, planned contractor hours, as opposed to actual contractor hours, may be used only where actual on-site contractor hours are not available (monthly reporting for contractor WYE is not supported by most contracts, nor required by the NF 533, Contractor Financial Management Report).

B. All NASA Centers must use the above bases of consumption. Any deviation requires approval by the Agency CFO.

C. Consumption data must be evaluated monthly against the plan (defined through the SLA for service pools) for the operating year and month to assure that the project's WBS or Cost Centers for pool charges are valid. Service providers must understand funding implications when providing support for projects.

070104. Project Cost Assessments

A. Preferred Order of Cost Assessment

1. Actual Cost and Actual Consumption. When actual cost and actual consumption data is available they must be used to assess costs.

2. Planned Cost (standard rate) and Actual Consumption. When actual cost is not available, but actual consumption information is available, the planned cost and actual consumption must be used. Centers employing this method must inform NASA Headquarters, Office of the CFO that this type of assessment process is being used and include a discussion of their plan to develop methods of capturing actual cost to enable the use of Assessment method 1.

3. Planned cost (standard rate) and planned consumption. When neither actual cost nor actual consumption data is available, planned cost and consumption may be used. Centers employing this method must inform NASA Headquarters, Office of the CFO that this type of assessment process is being used and include a discussion of their plan to develop methods of capturing both actual cost and actual consumption to enable use of Assessment method 1.

B. Order of Cost Assessments at the Center. Cost assessments at the Center level must be executed in the following order. Assessments to Corporate G&A by service pools and Center G&A will be allowed based upon materiality and approval by the Center Director.

1. First, assessment of Center level pools, such as Labor and Fringe and Paid Leave, that affect all subsequent service pools and G&A's must occur. These assessments are based upon the movement of actual costs based upon actual consumption.

2. Second, the F&RS service pool assesses its costs based on consumption, to other service pools (IT, S&E, FS, TS, WTS and ITA/SMA), Center G&A, Corporate G&A (if approved) and individual projects.

3. Third, the IT Services pool assesses its costs (including its assessed F&RS cost) based on consumption to the remaining service pools (S&E, FS, TS, WTS and ITA/SMA, but not F&RS), Center G&A, Corporate G&A (if approved) and individual projects. The costs the IT service pool incurs supporting the F&RS pool are included in the rate the IT service pool charges its other customers.

4. Fourth, the remaining service pools (S&E, FS, TS, WTS and ITA/SMA) assess their costs to the projects' Work Breakdown Structure (WBS's). Service pools may not allocate costs to other service pools or to Center G&A. Any costs incurred by the remaining service pools in support of another service pool or Center G&A must be identified during the budget process and included in the rates the service pools use to allocate costs to the projects.

5. Fifth, all Center Level Agency Fee for Services cost pools assess their cost to the Other Center's Center G&A.

6. Sixth, the Center G&A cost pool reviews its cost with the Project WBS's and Corporate G&A (if approved).

7. Seventh, the Center Level Institutional CoF cost pool assesses its cost to the Agency Level Institutional CoF pool.

8. Eight, the Agency Level Institutional CoF assesses its cost to the Agency Level Project WBS's.

9. Ninth, the Center Level (including HQ's) cost pool assesses its cost to the Agency Level Corporate G&A pool.

10. Tenth, the Agency Level Corporate G&A assesses its cost to the Agency Level Project WBS's.

C. Special attention shall be given to cost assessments back to Projects. Consumption data for most pools is the actual Civil Service hours plus planned contractor labor hours. Fund distributions from projects to pools may not occur at the same rate as consumption occurs. Every effort must be made each month to obtain the transfer of sufficient funds from the project for which services are performed to cover assessments against that project prior to the close of the fiscal period.

D. In the event that the project has not yet provided advance funding to the pool, statistical assessment of work performed to the projects must still be recorded. This is necessary so both the service provider (pool manager) and customer (project manager) clearly understand where funds are owed and charges have been incurred. Pool managers must assure that these charges are covered by the end of each quarterly reporting period. "Off Charging" pool costs from one project to another project is prohibited.

E. Assessment Cycle. The assessment cycle allocates primary cost recorded to cost centers to project WBS's and other cost centers as secondary cost. (The primary obligation and cost remain on the procurement document). Funds control the appropriation level is invoked on the buyer side of the cost pool. There is no funds control check during the assessments cycle. If actual cost assessments are required, an interim assessment must be processed to allocate cost incurred from all detailed cost centers by fund to the assessment cost center prior to assessment to projects.

F. Secondary Cost Elements. Secondary cost elements (9000.XXXX) are used to capture the assessments of cost from cost pools to projects. Project WBS, Fund, and Functional area as well as the secondary cost elements are used to maintain consumption data for the assessment cycle.

G. Statistical Cost

1. Statistical costs are costs originally obligated, expensed and recorded under a service pool or G&A pool that are subsequently allocated to a direct program/project. Statistical postings use the secondary cost elements established by service pool and sub-service pool level (e.g. 9000.3000, Facilities and Related Services and 9000.4000, Information Technology).

2. Statistical Cost Assessment

a. Civil Service Leave and Fringe Benefits. Consistent with where labor cost was incurred, a standard rate is applied to salary costs.

b. Service Pools. Service pools assessments are based on the standard rate times units consumed by the project. When service pool labor is direct charged to a project the service pool must also assess the project its fair share of service pool overhead costs.

c. Center G&A. Center G&A cost assessments are based on the standard Center G&A rate and allocation method.

d. Corporate G&A. Corporate G&A cost assessments are based on the standard Corporate G&A rate and allocation method. See paragraph 010602, above.

e. Reimbursables. When assessments are made from cost pools to Reimbursable Orders, the cost will be assessed to the Reimbursable Project WBS, not the Sales Order Number, because the funding was transferred previously for the reimbursable order; therefore, the cost needs to be posted to the Reimbursable Project WBS as statistical cost. Each Reimbursable Order has a unique Reimbursable Project WBS. This allows reports on Reimbursable Orders to display the Direct Charges (Labor, Travel, Procurement) as well as any assessed costs.

H. Actual Direct Cost Charge

1. Procurement. Procurements funded by a project are charged directly to the project.

2. Civil Service Labor. Civil Service labor costs are based on actual transactions recorded in IFMP from the Center's labor distribution system. Centers and

Headquarters must use actual monthly labor cost and consumption data for assessments whenever possible. However, due to timing issues related to month-end cut-off, it is not always feasible to use the most recent month's actual labor information. The previous month's actual labor information will often have to be used until timing and system configuration issues can be further refined. For FY05, Centers will transfer budget from each Project Fund Center to fund a Labor Pool. Assessments back to the Project Fund Center occur based upon actual cost. These assessments are required to record the labor costs to the appropriate Congressional Operating Plan and for managing and reporting back to the Project Fund Center. For FY06, plans are to direct charge labor to the Project Fund Center and Project WBS's.

3. Travel. Cost of travel charged to project or cost center.

I. For those cost assessments using a standard rate multiplied by consumption data, the service pool or G&A managers will need to closely monitor planned costs versus assessed costs variances, as well as cost-assessed variances versus funding received from a project. As with labor posting, reconciliations are needed to settle any significant variances. These reconciliations must be completed in time to support rate reviews.

J. Reconciliation of Variances. Assessments based upon a standard rate assume that at the end of a year, there will be an over or under absorbed cost center. This is because the plan upon which the standard rate is based will rarely be equal to the actual amounts consumed. Therefore, a monthly reconciliation must be performed comparing estimated with actual consumption and adjustments must be made to assessments previously processed to ensure variances are within the allowable tolerance. At the end of the fiscal year, variances within each sub-pool must be reconciled and additional assessments if necessary performed to achieve a zero variance in the pools. The true up of variances in all Sub-pools need not be at the fund level, as funds control occurs on the Cost Pools Fund Center when recording direct purchases.

K. Rate Development, Rate Reviews and Rate Changes

1. Full Cost requires careful planning. During the rate determination phase, strict attention must be paid to the fixed and variable costs of the service, the number and volume of the projected customer base and the previous performance periods. Although a service pool should operate as a "Business Unit," their rates should simply generate enough revenue to "break even" at the end of the fiscal year. For NASA, the "business unit" will equate to a sub-pool. Therefore, when developing rates and negotiating SLAs, consideration should be given to the amount of reserve necessary to ensure fiscal stability for the service year.

2. Throughout the year it will be necessary to review the financial reports of each service pool and Center G&A sub-pool to accomplish these rate reviews. Assurance that consumption data has been "trued up" to actuals must be completed prior to recommending rate adjustments. Analysis of cost recorded for the pool should be evaluated against expected costs to assure that all cost accruals have been recorded. Based on the cost information and the "true up" of consumption data, this year end review should primarily address

whether or not a negative rebate or additional assessment needs to occur as part of the final assessment cycle for the fiscal year.

3. During this review, service pool managers will need to report and analyze the following variances: a) all cost elements (procurements, civil servant labor, travel, other service pool charges (if applicable)), b) number of civil servants and contractors on and off-site and c) consumption (volume). Center G&A managers will report and analyze the following variances: a) all cost elements (procurements, civil servant labor, travel, other service pool charges (if applicable)), and b) number of civil servants and contractors on and off-site. Both service pool and G&A managers will show “run-out” plans through the end of the current operating year.

4. Rate changes to recoup costs in a service pool or Center G&A should be avoided and only considered as a last option. Service pool and G&A managers should consider every possible means of either increasing business or deferring expenditures in order to end the year “in the black”. The Center Program Management Committee (PMC) should be active in addressing rate issues. All rate changes will be approved by the Center Director and communicated to the NASA Headquarters, Mission Directorate Headquarters Center Executive (HCE), Mission Directorates, Office of the CFO, and the Associate Administrator for Institutions and Management.