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CHAPTER 1. IDENTIFICATION OF CAPITALIZED PROPERTY, PLANT, AND EQUIPMENT

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CHAPTER 1. IDENTIFICATION OF CAPITALIZED PROPERTY, PLANT, AND EQUIPMENT1.1 OVERVIEW.

- 1.1.1 Scope. This chapter prescribes the accounting standards and policy for the NASA Property, Plant, and Equipment PP&E, and the requirements for identifying when a PP&E purchase and/or fabrication meets the criteria for capitalization. This Chapter describes the process for identifying individual PP&E items by establishing a unique work breakdown structure (WBS) element to accumulate the item's costs and reporting the actual cost of the item. The requirement to prepare the NASA Form 1739, *Alternative Future Use Questionnaire (AFUQ)* and assign a unique WBS for property acquired or fabricated is applicable beginning October 1, 2007.
- 1.1.2 Applicability. These requirements are applicable to NASA Headquarters (HQ) and NASA Centers, including Component Facilities, and to NASA contractors, to the extent that PP&E reporting requirements are incorporated in contracts. These procedures are applicable to all programs, projects, centers, or other organizing structures that incur costs in the acquisition or fabrication of Agency-owned PP&E.
- 1.1.3 Accurately recording PP&E costs begins with identifying those property, plant or equipment purchases and/or fabrications that meet generally accepted accounting capitalization criteria and that which does not. PP&E that is used to conduct research and development (R&D) in support of National Aeronautics and Space Administration's (NASA's) programs and projects and that does not have a known alternative future use at the time that it is purchased or fabricated will be expensed in accordance with Statement of Financial Accounting Standards (SFAS) No. 2, Accounting for Research and Development Costs, and Federal Accounting Standards Advisory Board (FASAB), Technical Release 7. PP&E not associated with research and development will be capitalized according to Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment.
- 1.1.4 SFAS No. 2 states that "The costs of materials (whether from the enterprise's normal inventory or acquired specially for research and development activities) and equipment or facilities that are acquired or constructed for research and development activities and that have alternative future uses (in research and development projects or otherwise) shall be capitalized as tangible assets when acquired or constructed. The cost of such materials consumed in research and development activities and the depreciation of such equipment or facilities used in those activities are research and development costs. However, the costs of materials, equipment, or facilities that are acquired or constructed for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise) and therefore no separate economic values are research and development costs at the time the costs are incurred." R&D costs shall be expensed as incurred.

1.2 AUTHORITIES AND REFERENCES.

1.2.1 External Authorities.

- A. Chief Financial Officers (CFO) Act of 1990, Public Law 101-576
- B. Federal Acquisition Regulations (FAR)
- C. Federal Accounting Standards Advisory Board (FASAB), *Federal Financial Accounting Technical Release 7, "Clarification of Standards Relating to the National Aeronautics and Space Administration's Space Exploration Equipment"*
- D. Federal Financial Management Improvement Act (FFMIA) of 1996, Public Law 104-208
- E. Federal Property Management Regulations (FPMR)
- F. Government Management Reform Act (GMRA) of 1994, Public Law 103-356, Sec. 403
- G. OMB Circular No. A-123, *Management's Responsibility for Internal Control*
- H. OMB Circular No. A-127, *Financial Management Systems*
- I. OMB Circular No. A-136, *Financial Reporting Requirements*
- J. Statement of Financial Accounting Standards (SFAS) No. 2, *Accounting for Research and Development Costs*
- K. Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property*
- L. SFFAS No. 6, *Accounting for Property, Plant and Equipment (as amended by SFFAS Numbers 14, 16 and 23)*
- M. SFFAS No. 8, *Supplementary Stewardship Accounting (as amended by SFFAS Numbers 16 and 23)*
- N. SFFAS No. 10, *Accounting for Internal Use Software*
- O. SFFAS No. 29, *Heritage Assets and Stewardship Land*

1.2.2 NASA Directives and Requirements.

- A. NASA Federal Acquisition Regulations Supplement (NFS)
- B. NPD 1200.1, "NASA Internal Control and Accountability"

- C. NPD 9501.1, "NASA Contractor Financial Management Reporting System"
- D. NASA Procedural Requirement (NPR) 4200.1F, "NASA Equipment Management Procedural Requirements"
- E. NPR 7120.5D, "NASA Space Flight Program and Project Management Requirements"
- F. NPR 7120.7, "NASA Institutional and Infrastructure Program and Project Requirements"
- G. NPR 7120.8, "NASA Research and Technology Program and Project Management Requirements"
- H. NPR 7123.1, "NASA Systems Engineering Processes and Requirements"
- I. NPR 7150.2, "NASA Software Engineering Requirements"
- J. NPR 8800.15A, "Real Estate Management Program Implementation Manual"
- K. NPR 9501.2D, "NASA Contractor Financial Management Reporting (Revalidated with Change 1 02/16/2006)"

1.3 ROLES AND RESPONSIBILITIES.

1.3.1 The NASA Project Manager shall:

- A. Inform the HQ Office of the Chief Financial Officer (OCFO) Property Branch of acquisition strategy meetings.
- B. Submit to the Center OCFO Property Branch the completed NASA Form 1739 Alternative Future Use Questionnaire (AFUQ) prior to the finalization of the project Work Breakdown Structure (WBS), identifying all planned PP&E that meets the stated capitalization criteria and their related NASA WBS elements, per NPR: 7120.5D NASA Space Flight Program and Project Management Requirements, and NPR 7120.8 NASA Research and Technology Program and Project Management Requirements. NASA Form 1739, AFUQ can be accessed from NASA Electronics Forms (NEF) website by searching for the form under NEF bullet.
- C. Create a unique WBS element, within the project WBS structure, for each capitalized PP&E identified through the use of NASA Form 1739, *Alternative Future Use Questionnaire* (AFUQ), whether NASA or contractor-held. Capital asset WBS elements can be created anywhere within levels 3 to 7 of the project WBS at project management's discretion. When requesting the unique WBS element(s) through NASA's Metadata Manager (Mdm).

- D. Attach the completed NASA Form 1739, *Alternative Future Use Questionnaire* (AFUQ) using the attachment feature in MdM.
- E. Assign NASA WBS asset attribute types in MdM to each capital asset unique WBS element. There shall be five WBS asset attribute types available based on type of asset acquisition the WBS will be supporting:
 - 1. Theme Assets.
 - 2. Software (Internal use software \$1M and over).
 - 3. Real Property.
 - 4. PP&E - Fabricated Ancillary capital assets.
 - 5. PP&E - Purchased Ancillary capital assets.
- F. Create Procurement Requests (PR) specifying:
 - 1. Those NASA WBS elements for capitalized PP&E to be acquired or fabricated on that procurement.
 - 2. Data requirements for contractor reporting and invoicing by those WBS elements.

1.3.2 The Contractor shall, (as provided for in their contracts):

- A. Support the accumulation of the cost for each item of NASA-defined capitalized PP&E as required by NASA.
- B. Support the reporting of current period costs incurred in the acquisition or fabrication of individual capitalized PP&E as separate items on required reporting vehicles such as the NASA Form 533, *Contractor Cost Report*.
- C. For fixed priced contracts, itemize capitalized PP&E as a separate item on invoices and/or vouchers.
- D. Ensure that contract reporting requirements are developed (e.g. NASA Form 533, *Contractor Cost Reporting*).

1.3.3 The Agency Office of the Chief Financial Officer (OCFO) shall:

- A. Prior to the beginning of the project:
 - 1. Review and approve the project WBS structure to ensure that a unique WBS element(s) has been assigned to all PP&E that has been identified as capital PP&E.
 - 2. Develop, in conjunction with procurement, project management personnel, and Center finance personnel, the financial management reporting requirements and instructions (in accordance with NPR

9501.2D) to be included in solicitations and contracts. These reporting requirements and instructions are normally in the form of a contract Data Requirement Description, and should include a structure to support the reporting of each capital asset as an individual reporting category on contractor cost reports (typically the NASA Form 533).

3. Review all submitted NASA Form 1739, AFUQ to ensure that all identified planned PP&E comply with NASA capitalization requirements and that unique WBS elements have been identified for PP&E that meet capitalization requirements.

B. While the project is underway:

1. Review and approve the project WBS structure before the acquisition is made, ensuring that:
 - a. NASA WBS elements are identified for capitalized PP&E.
 - b. Asset attributes have been associated with each unique PP&E WBS element. There shall be five WBS asset attribute types available based on type of asset acquisition the WBS will be supporting.
 - (1) Theme Assets.
 - (2) Software (Internal use software \$1M and over).
 - (3) Real Property.
 - (4) PP&E - Fabricated Ancillary capital assets.
 - (5) PP&E - Purchased Ancillary capital assets.
2. Maintain a file copy of the NASA Form 1739, AFUQ at HQ.

1.3.4 The Center Office of the Chief Financial Officer (OCFO) shall:

A. Prior to the beginning of the project:

1. Ensure that adequate financial controls are in place and financial records and reports accurately reflect the status of capital assets under the cognizance of the Center in accordance with the policies prescribed in this chapter. Their responsibilities also include maintaining close liaison with property management and other personnel concerned with property to provide assurance that values reported are accurate.
2. Provide the final determination of the accounting treatment for all projects based upon review of the NASA Form 1739, AFUQ.

3. In coordination with NASA HQ, review and approve all submitted NASA Form 1739, AFUQ for PP&E acquired or fabricated beginning October 1, 2007 to ensure that all identified planned PP&E comply with NASA capitalization requirements and that unique WBS elements have been identified for PP&E that meet capitalization requirements.
 4. Work in close liaison with NASA HQ, procurement, and project management personnel, to develop the financial management reporting requirements and instructions (in accordance with NPR 9501.2D) to be included in solicitations and contracts. These reporting requirements and instructions are normally in the form of a contract Data Requirement Description, and should include a structure to support the reporting of each capital asset as an individual reporting category on contractor cost reports (typically the NASA Form 533).
- B. While the project is underway:
1. Review and approve submitted NASA Form 1739, AFUQs to ensure that all planned PP&E that meet the stated capitalization criteria and their related unique NASA WBS elements have been identified.
 2. Review contractor requests to purchase PP&E before the requests are approved by the contracting officer in order to confirm that a unique WBS has been established and the contract DRD requires cost reporting of individual PP&E based on the unique WBS.
 3. In coordination with NASA HQ, review and approve the project WBS structure before the acquisition is made, ensuring that:
 - a. NASA WBS elements are identified for capitalized PP&E.
 - b. Asset attributes have been associated with each unique PP&E WBS element. There shall be five WBS asset attribute types available based on type of asset acquisition the WBS will be supporting:
 - (1) Theme Assets.
 - (2) Software (Internal use software costing equal to or greater than \$1M).
 - (3) Real Property.
 - (4) PP&E - Fabricated Ancillary capital assets.
 - (5) PP&E - Purchased Ancillary capital assets.
 4. Maintain the original NASA Form 1739, AFUQ at the Center.

- 1.3.5 Center Procurement Officers. Shall support the Center OCFO in identifying and valuing capital assets through implementation of the Federal Acquisition Regulation (FAR) and the NASA FAR Supplement in the following areas:
- A. Prior to Contract Award.
1. Ensure that the types and approximate quantities of Government Furnished Property and Contactor Acquired Property are discussed in Procurement Plans and Procurement Strategy meetings and that Center financial representatives are included in the procurement planning process (FAR part 7 and NFS part 1807).
 2. Ensure that the appropriate solicitation instructions, provisions and contract clauses are included in solicitations and contracts, in order that (FAR part 45 and NFS part 1845):
 - a. The solicitation identifies all Government Property that may be made available for performance of the contract.
 - b. Contractors are required to identify any Government Property desired and required for performance of the effort.
 - c. The resulting contract includes a listing of all Government Property supplied for use under the contract.
 - d. Contractors are required to obtain approval for the purchase or fabrication of property for which the Government will have title, unless the property is a deliverable itemized under the contract or a component of or material for that deliverable.
 3. Support the cognizant financial management and project management personnel in the development of contractor cost reporting requirements (where cost reporting is required) which align with the NASA project WBS structure and require a separate reporting line item for each capital asset (NFS Subpart 1842.72 and NPR 9501.2D, "NASA Contractor Financial Management Reporting").
 4. For firm-fixed-priced contracts, identify each capital asset for which the Government will have title to as a separate Contract Line Item Number (CLIN) to ensure that capital assets are identified as separate line items on invoices/vouchers.
- B. After Contract Award.
1. Review for approval all contractor requests to purchase and/or fabricate PP&E which the government will have title to in accordance with NFS 1845.103-70, and forward approved requests with an expected acquisition cost equal to or greater than \$100,000 to the Center Deputy CFO (NFS 1845.103-70).

2. For contracts requiring financial management and cost reporting, ensure that contractors report approved PP&E purchases and/or fabrications that have been determined to meet the capitalization criteria as separate line items (as initially established in the contract). This will support the capture of work in progress costs necessary for Agency Financial Reporting. The cost to the government for capital assets acquired through firm fixed price contracts will be obtained from the invoice, and/or progress payments, or other interim payment information (NFS Subpart 1842.72 and NPR 9501.2D -- NASA Contractor Financial Management Reporting).

1.4 DEFINITIONS.

- 1.4.1 Research. Research is planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service or a new process or technique or in bringing about a significant improvement to an existing product or process.
- 1.4.2 Development. Development is the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternative, construction of prototypes, and operation of pilot plants. It does not include routine or periodic alterations to existing products, production lines, manufacturing processes, and other on-going operations even though those alternations may represent improvement and it does not include research or market testing activities.
- 1.4.3 Alternative Future Use. Having a planned use on a project other than the one for which it is originally purchased which can be identified and objectively measured at the beginning of a project or at the time the purchase occurs or fabrication commences.
- 1.4.4 Ancillary Capitalized PP&E. PP&E with an acquisition cost of over \$100,000 and a useful life of 2 years or more that are either purchased and/or fabricated to support a project's objectives and that can be reused by a future project or have a probable future economic benefit.
- 1.4.5 Asset Attribute. An attribute in MdM (Metadata Manager) to identify capital assets at the individual WBS component level. When enabled, the asset attribute will be used to identify those WBS elements that support capital asset acquisition. The five WBS asset attribute types available are based on the type of asset acquisition the WBS will be supporting: (1) Theme Assets, (2) Software (Internal use software \$1M and over), (3) Real Property, (4) PP&E - Fabricated Ancillary capital assets, (5) PP&E - Purchased Ancillary capital Assets.
- 1.4.6 Capitalized Property, Plant, & Equipment (PP&E). PP&E with an acquisition cost of \$100,000 and over and a useful life of 2 years or more that are either

purchased and/or fabricated to support a project's objectives and that have a planned alternative future use on another project.

- 1.4.7 Capitalized Internal Use Software. Software that meets all of the following criteria:
- A. Is purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet the entity's internal or operational needs;
 - B. Operates in a stand-alone mode and is not integrated or necessary to operate hardware or equipment;
 - C. Used to operate NASA's programs (i.e., financial and administrative software including that used for project management); or to support NASA's missions (i.e., communication software designed to support multiple missions). This would be software developed independently for a mission (i.e., not part of the mission);
 - D. Total projected cost is \$1,000,000 or more; and
 - E. Has an expected useful life of 5 years.
- 1.4.8 Key Decision Point (KDP). The event at which the Program Management Council (PMC) Decision Authority determines the readiness of a program/project to progress to the next phase of the lifecycle (or to the next KDP).
- 1.4.9 Property Plant and Equipment (PP&E). Tangible assets, including land, that meet all of 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.
- 1.4.10 Real Property. Land, buildings, other structures and facilities, and leasehold improvements.
- 1.4.11 Theme Projects. Space exploration items that are specifically designed for use in a NASA program, (i.e., NASA developed and /or funded scientific experiments intended to operate outside the atmosphere).
- 1.4.12 Theme Assets. Assets that are the principal products of Theme Projects that have the possibility of an alternative future use/benefit. Theme Assets will therefore be treated as Capitalized Property Plant & Equipment, which is capitalized and depreciated in accordance with generally accepted accounting principles.

- 1.4.13 Time-based Allocation. A strategy for recognizing capital costs in WBS elements (such as “Project Management” or “Systems Integration and Testing”) where not all costs collected will be capitalized. Such WBS elements would not have an asset attribute enabled but rather a defined settlement process in SAP based on dates.
- 1.4.14 Work In Progress. 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.
- 1.4.15 Un-required Property. Property identified by Agency components that is no longer needed by the component and is available for transfer to other components of the Agency.
- 1.4.16 Excess Property. Property that is no longer required for an Agency’s needs, as determined by the Agency head or designee.
- 1.5 LIFECYCLE.
- 1.5.1 Purpose. This section describes the property, plant and equipment lifecycle from a financial accounting perspective. The descriptions in the following paragraph provide a summary of the major financial requirements for capital asset identification, cost accumulation, reporting, receiving and disposal.
- 1.5.2 PP&E Lifecycle Phases. The following sections A through E describe the major phases of the PP&E lifecycle.
- A. Plan. Planned acquisitions of all NASA-owned PP&E shall be identified and evaluated for capitalization by the responsible NASA program/project manager and/or his delegate before costs are incurred in their purchase or fabrication. Project managers are required to complete the Alternative Future Use Questionnaire for all NASA projects to determine the accounting treatment for each project (e.g., whether the project will be treated as a theme asset project and capitalized or as a R&D project and expensed) and for each individual acquisition of PP&E used in support of that project. The Agency and/or Center OCFOs or its representatives will assist the project managers, whenever needed, in determining which PP&E purchase and/or fabrications meet the capitalization criteria. Those PP&E items that meet established capitalization criteria shall be designated General PP&E or Heritage Assets, and for General PP&E shall be capitalized and depreciated according to requirements established in this Chapter.
- B. Acquire/Fabricate. Costs incurred by NASA or its contractors throughout the acquisition lifecycle shall be segregated and tracked uniquely to the General PP&E and/or Heritage Asset item being acquired/fabricated when it meets the capitalization criteria. For detailed discussion on identification of PP&E that meet the capitalization criteria and the

capturing of their costs by assigning them to WBS elements within each unique WBS, refer to Section 1.7 of this Chapter.

C. Report.

1. Costs incurred by NASA or its contractors for individual General PP&E and/or Heritage Asset items shall be reported to the authorizing NASA program/project through established processes and reports. Costs shall be reviewed and approved by the responsible NASA program/project manager and/or his delegate before they are entered into NASA's financial accounting system. Reconciliations shall be performed to ensure that invoices reflect approved PP&E costs. Reconciliations shall be documented and work papers maintained by the Center Chief Financial Officer (CFO)/Deputy Chief Financial Officer (Finance) (DCFO)(F) on file for review by auditors and submission to as part of the quarterly Quality Assurance Evaluation (QAE) process.
2. Status on the physical condition of individual General PP&E and/or Heritage Asset items shall be reported to the Center CFO/ DCFO(F) by the responsible NASA program/project manager and/or his delegate at the time the acquisition is complete or canceled, when the item becomes operational, and when the item is disposed of or decommissioned.

D. Receipt of General PP&E.

1. In general, NASA shall recognize general PP&E when title to the asset passes to NASA. Title passage will occur either at the time of delivery to the NASA or at an earlier contractually specified time.
2. For purchased equipment, the recognition date normally will be the date shown on the receiving and inspection report or equivalent source document evidencing the receipt and passage of inspection.
3. For real property assets or capital improvements to an asset, capitalization shall begin on the date they are placed in service. This event is defined as the date on which the facility or improvement to a facility is available for use by NASA. The date the facility is accepted for use is known as the beneficial occupancy date.
4. For General PP&E assets acquired by a contractor on behalf of NASA, the assets shall be recognized upon delivery or constructive delivery, whether to the contractor performing the service, or to a NASA facility. Delivery or constructive delivery shall be based on the terms of the contract regarding delivery, receipt and acceptance.

E. Disposal of General PP&E.

1. General.

- a. In general disposition and or disposal of NASA PP&E occur due to several reasons and executed in accordance with the applicable federal regulations and NASA policy and accounted for according to the federal accounting standards. The following situations or circumstances require analysis and determination by the appropriate NASA official to determine the appropriate actions to be taken to dispose the NASA PP&E.
 - b. Un-required Property. When a NASA Center or component facility identifies and determines that a PP&E item is no longer needed by that Center or component facility and it is available for transfer to other Centers or component facility, it will be classified and kept as un-required property. NASA will continue to account for this property as previously accounted for in its accounting records.
 - c. Excess PP&E. When the Agency determines that the general PP&E is no longer required for NASA's needs, it shall be treated as excess property. At the time the excess PP&E is deemed no longer in service in the operations of the entity, it shall be reclassified from PP&E accounts to other appropriate asset accounts (Other Assets) along with associated accumulated depreciation/amortization. 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. PP&E could also be deemed no longer in service when it has suffered damage or becomes obsolete and could be reclassified to other appropriate asset accounts (Other Assets) similar to excess PP&E.
2. Transfer.
- a. Without Reimbursement. The cost of General PP&E transferred from other Federal entities without any reimbursement shall be the cost recorded by the transferring entity for the General PP&E net of accumulated depreciation or amortization, if it meets the capitalization criteria. If the value cannot be reasonably ascertained, 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.
 - b. With Reimbursement. PP&E transferred from other entities with reimbursement shall be recorded in NASA's accounts at the amount of reimbursement to the transferor, if it meets the capitalization criteria. 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. Capital assets 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 General 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).

3. Donation.

- a. Excess PP&E determined to be surplus to the needs of NASA are available for donation to other entities. NASA shall use the General Services Administration (GSA) approved transfer process and documents to accomplish the donation to other entities. The donated property will be removed from NASA's books along with the accumulated depreciation and any loss incurred at the time of transfer will be recognized.
- b. 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. General PP&E acquired by donation will be recorded in the appropriate asset account at estimated fair value at the time acquired by NASA.

4. Sale of Surplus PP&E.

- a. Excess PP&E determined to be surplus to the needs of NASA and available for sale to the public are identified as surplus PP&E available for sale. At the time of the sale of the surplus PP&E, the transaction is recorded by removing the asset from the Other Asset account (which has been debited earlier when it was determined it was no longer in service) and recognizing any losses on the disposition of the PP&E.
- b. 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 other subcontract there under authorizes credit of the proceeds to the cost or price of the work.

5. Abandonment. Abandonment is the method of disposition of PP&E with no commercial value as determined by an authorized NASA official. The timing of the abandonment (after or before the

determination was made that the PP&E is excess) will determine the type of journal entries to be posted to NASA PP&E system to record the transactions. If the PP&E is abandoned after it is being excessed, it will be removed from the Other Asset account and any loss on disposition of asset will be recognized. If the abandonment occurs prior to the PP&E being excessed, the abandoned PP&E will be removed from NASA's books along with associated accumulated depreciation and any loss on disposition will be recognized.

6. Exchange/Sale.

- a. Non-excess, non-surplus property may be exchanged or sold with the intention of applying the exchange allowance or sale proceeds, in whole or in part payment, towards the acquisition of similar or replacement property. At the time of the exchange/sale, the transaction will be recorded by a journal entry removing the exchanged/sold PP&E from NASA's books along with the associated accumulated depreciation and recognizing any gain or loss on the disposal of the PP&E.
- b. As per the GSA Waiver (GSA Approval dated April 23, 2008), NASA is permitted to apply proceeds from the sale of non-excess National Space Transportation System (NSTS) Program assets classified as Federal Supply Group 18 to acquire property for the Constellation Program also classified as Federal Supply Group 18. Unless other uses are specifically authorized by GSA, NASA must use the proceeds from the exchange/sale to acquire replacement PP&E. The proceeds shall be accounted for using current year appropriations; they do not need to be returned to the original appropriation.
- c. General PP&E assets that have been identified for permanent removal from service shall no longer be depreciated once the asset no longer contributes to the operation of the entity. The triggering event for disposal is the time/date the asset no longer provides service in the operations of the entity. Depreciation/amortization of General PP&E assets will stop on this disposal date. This date shall also represent the date on which the General PP&E asset and its associated depreciation/amortization and accumulated depreciation/amortization are no longer reported under the General PP&E account on the financial statements and the depreciation/amortization calculation is discontinued.
- d. The disposal start date is defined as the calendar date of a legally enforceable and recognizable obligation to complete the disposal action or the date the operation has ceased, whichever comes later. On this date, the asset is no longer depreciated, its book value is removed from the financial records, and the corresponding gain/loss from disposition is recorded. For

demolitions, this represents the demolition contract's start date. For transfers and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident.

1.6 CATEGORIES OF PP&E.

1.6.1 Within PP&E, two categories have been defined for accounting and reporting purposes. Specific accounting guidance is contained in this chapter for each category of PP&E. These categories are:

A. General PP&E.

1. Real Property.
2. General Equipment.
3. Capital Leases.
4. Internal Use Software.

B. Stewardship PP&E.

1. Heritage Assets.
2. Stewardship Land.

1.6.2 General PP&E.

A. General PP&E consists of tangible assets that meet all of the following criteria:

1. Have an estimated useful life of two years or more (five years for internal use software);
2. Are not intended for sale in the ordinary course of operations;
3. Are acquired or constructed with the intention of being used or being available for use by the entity; and
4. The current NASA Capitalization threshold is \$100,000 for all assets other than internal use software which has a capitalization threshold of \$1,000,000.
5. Have an alternative future use.

B. General PP&E also includes:

1. Assets acquired through capital leases, including leasehold improvements (see Section 3.4.5 of Chapter 3 of this Volume).

2. Property owned by NASA even though it may be in the possession of others (i.e., state and local governments, colleges and universities, or contractors).
 3. Land, other than Stewardship Land with an identifiable cost that was specifically acquired for, or in connection with, the construction of General PP&E.
 4. Land rights, which are interests and privileges held by an entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights and other like interests in land.
- C. General PPE examples include but are not limited to:
1. Real Property including Land and Land Rights (see Chapter 3 of this Volume).
 2. Real Property such as Buildings; Other Structures, and Facilities (see Chapter 3 of this Volume).
 3. Construction Work in Process (see Chapter 3 of this Volume).
 4. General Equipment (see Chapter 4 of this Volume).
 5. Work in Progress/Asset Under Construction (see Chapter 4 of this Volume).
 6. Capital Lease (see Chapter 6 of this Volume).
 7. Leasehold Improvements (see Chapter 3 of this Volume).
 8. Internal Use Software (see Chapter 5 of this Volume).
- D. Exclusions. General PP&E excludes items:
1. Held in anticipation of physical consumption such as operating materials and supplies.
 2. That the Agency has a reversionary interest. For example, the Agency sometimes retains an interest in PP&E acquired with grant money in the event that the recipient no longer uses the PP&E in the activity for which the grant was originally provided and the PP&E reverts to the Agency.
 3. Classified as Stewardship PP&E (as described in Section 1.6.3).
 4. That should be expensed as research and development (R&D) costs. Equipment acquired for research and development, which may have alternative future uses and otherwise meets the criteria for capitalization, should be capitalized accordingly.

E. For further discussion of General PP&E accounting policy, see Chapter 2 of this Volume.

1.6.3 Stewardship PP&E. Stewardship PP&E consists of tangible assets classified as either Heritage Assets or Stewardship Land. The only type of stewardship PP&E currently owned by NASA are heritage assets.

A. Heritage Assets. Heritage Assets are PP&E of historical, natural, cultural, educational significance; artistic importance; or significant architectural characteristics.

B. Stewardship Land. Stewardship Land is land and land rights other than that acquired for or in connection with General PP&E, land acquired via the public domain, or land acquired at no cost.

C. For further discussion of Heritage Assets see Chapter 7 of this Volume.

1.7 IDENTIFYING CAPITALIZED PP&E.

1.7.1 Identifying Items That Must be Capitalized. Accurately recording PP&E costs begins with identifying those property, plant or equipment purchases and/or fabrications that meet generally accepted accounting capitalization criteria and that which does not. Project Managers are required to complete the Alternative Future Use Questionnaire for all PP&E to identify those PP&E that should be capitalized and those that should not. The Office of the Chief Financial Officer (OCFO), or its representatives, will attend project concept, initiation, and implementation meetings to assist projects in determining which PP&E purchases and/or fabrications will need to be capitalized. Through review and analysis of project documentation (including the Alternative Future Use Questionnaire completed by the project manager) and consultation with project management and Contracting Officers, NASA will determine and identify:

A. What capitalized PP&E will be purchased and/or fabricated by the project.

B. The NASA WBS element(s) associated with each.

1.7.2 Alternative Future Use Questionnaire. NASA's Alternative Future Use Questionnaire (NF 1739) describes the criteria for identifying capitalized PP&E.

1.7.3 WBS Assignment.

A. When PP&E items meet the capitalization criteria, their purchase and/or fabrication costs must be segregated from other project costs and this segregation must occur as the costs are incurred. Project Managers will segregate capitalized costs by assigning a WBS element within the project's WBS structure for each capitalized PP&E as the items are identified. This must be done for PP&E that will be capitalized, whether purchased and/or fabricated by NASA or by contractors.

- B. NASA must identify each unique piece of capitalized PP&E before costs are incurred in its purchase and/or fabrication. A WBS element(s) must be created within the project WBS structure and communicated to relevant project staff (employees and contractors) for each piece of capitalized PP&E. These capital asset WBS elements can be created anywhere within levels 3 to 7 of the project WBS at project management's discretion. Identification of capitalized PP&E and the creation of a WBS element(s) for each capitalized item begins at project inception and continues through the project life. In this way, all planned and emergent capitalized PP&E items are identified so that costs can be captured for each item as the costs are incurred.
- C. WBS Attribute Code. To further support identification of capitalized PP&E within NASA's financial accounting system, Project Managers must request that the applicable asset attribute indicator be set in MdM for each NASA PP&E WBS element. These indicators will serve to identify those NASA WBS elements reserved for capitalized PP&E, indicate what type of PP&E the WBS element is tracking costs for, and provide a mechanism for reporting on PP&E WBS elements. The following WBS asset attribute codes are used with PP&E WBS codes:
1. For NASA WBS elements with the asset attribute types 1-4, place costs in the associated work-in-progress (WIP) account and upon completion of the PP&E, transfer costs to one of the following asset accounts:
 - a. Theme Assets.
 - b. Software (Internal use software costing equal to or greater than \$1M).
 - c. Real Property.
 - d. PP&E - Fabricated Ancillary capital assets.
 2. For NASA WBS elements with the asset attribute type 5 enabled, place costs in an asset account upon receipt:
 - a. PP&E - Purchased Ancillary capital assets.
- D. Contract Requirements. Procurement will assist in establishing solicitations and contracts which require contractors to obtain necessary approvals prior to the purchase and/or fabrication of PP&E and to report the cost of any capitalized PP&E by the assigned WBS element(s) on cost reports and invoices. These requirements will be established at the inception of new contracts and will be required for any "new work" negotiated in modifications to existing contracts.
1. Prior Approval. To ensure that all capitalized PP&E are identified and assigned a NASA WBS element, contractors must obtain approval

prior to purchasing or beginning fabrication of any PP&E with an anticipated total acquisition cost of \$100,000 or greater that is not specifically identified within their contract. As a result, NASA will have the ability to identify, track and accumulate the costs associated to the value of all capitalized PP&E. Identifying capitalized PP&E from project inception and requiring contractors to obtain approval for PP&E purchases of \$100,000 or greater will enable NASA to identify each piece of capitalized PP&E as early as possible in the project lifecycle. Requiring NASA approval prior to the purchase and/or fabrication of capitalized PP&E, assigning a NASA WBS element to each, and reporting costs individually by NASA WBS element(s) improves control over the valuation of those capitalized PP&E. Contract must include clauses that require contractors to:

- a. Track and report costs using the assigned NASA WBS element when purchasing and/or fabricating capitalized PP&E.
 - b. Report the costs of each capital asset as a separate item on required cost reports. These reporting requirements will not apply to firm-fixed-price (FFP) contracts. Costs to the Government for capital assets acquired through FFP contracts will be collected from invoice and/or progress payment or other interim payment information.
2. Similarly, NASA costs associated with capitalized PP&E will be accumulated in the relevant PP&E WBS element.

1.8 INTEGRATED ASSET MANAGEMENT.

- 1.8.1 Integrated Asset Management Property, Plant, and Equipment (IAM PP&E) is NASA's integrated PP&E accounting system for personal property. The current version of the IAM PP&E can track, account for, and report the capitalized PP&E except real property. Using the various transactions codes (T-codes), Property Accountants and others with assigned responsibilities can execute the asset accounting transactions to accomplish the PP&E accounting transactions.
- 1.8.2 Detailed asset accounting End User Procedures (EUP) and job aids are available at Enterprise Performance Support System (EPSS), which can be accessed at the EPSS web site.