CHAPTER 2. GENERAL PP&E POLICIES

TABLE OF CONTENTS

2.1 OVERVIEW. 2-1
2.2 AUTHORITIES AND REFERENCES. 2-1
2.3 ROLES AND RESPONSIBILITIES. 2-2
2.4 DEFINITIONS. 2-2
2.5 CAPITALIZATION CRITERIA. 2-4
2.6 VALUATION. 2-6
2.7 RECOGNITION. 2-9
2.8 DEPRECIATION. 2-10
2.9 DISPOSAL. 2-12
2.10 DOCUMENTATION. 2-13
2.11 FINANCIAL RECORDS RETENTION. 2-14
2.12 ENVIRONMENTAL LIABILITIES RELATED TO PP&E. 2-15
2.13 CONTINUOUS MONITORING PROGRAM (CMP). 2-15

CHAPTER 2. GENERAL PP&E POLICIES

2.1 OVERVIEW.

2.1.1 Purpose. This chapter sets forth general principles, standards, policies, and procedures to assure compliance with statutory and regulatory requirements regarding NASA's General Property, Plant and Equipment (PP&E). These requirements ensure effective financial control over NASA owned General PP&E. NASA Financial Management Requirements (FMR), Volume 20, Chapter 7 establishes the general principles, standards and polices for NASA's stewardship PP&E.

2.1.2 Applicability. This chapter applies to all categories of General PP&E listed and described in Sections 1.6.1 and 1.6.2 of Chapter 1 of this Volume.

2.2 AUTHORITIES AND REFERENCES.

2.2.1 External Authorities.

A. Federal Acquisition Regulations (FAR)

B. Federal Property Management Regulations (FPMR)

C. Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant and Equipment (as amended by SFFAS Numbers 14, 16 and 23)*

D. Statement of Federal Financial Accounting Standards (SFFAS) No. 8, *Supplementary Stewardship Accounting (as amended by SFFAS Numbers 16 and 23)*

E. Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software*

F. Statement of Federal Financial Accounting Standards (SFFAS) No. 29, *Heritage Assets and Stewardship Land*

G. Office of Management and Budget (OMB) Circular No. A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*

H. 2 CFR Part 215, "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non Profit Organizations."

2.2.2 NASA Directives and Requirements.

A. NASA FAR Supplement (NFS)

B. NPD 9501.1, "NASA Contractor Financial Management Reporting System"

C. NPR 8800.15, "Real Estate Management Program Implementation Manual"

D. NPR 5800.1, "NASA Grant and Cooperative Agreement Handbook (14 CFR 1204, 1260, 1274)"

E. Financial Management Requirements, Volume 19, *Continuous Monitoring Program*

F. NPD 1440.6H, "NASA Records Management"

G. NPR 1441.1D, "NASA Records Retention Schedule"

H. NASA Continuous Monitoring Program

2.3 ROLES AND RESPONSIBILITIES.

2.3.1 Center Chief Financial Officers and Deputy Chief Financial Officers, Finance (DCFO)(F). Center Chief Financial Officers (CFOs) and Deputy Chief Financial Officers, Finance (DCFO)(F), 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.

2.3.2 Center CFOs and Center DCFO(F)s. Center CFOs and 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 work papers maintained in a file for review by auditors and submission to Headquarters as part of the Continuous Monitoring Program (CMP).

2.4 DEFINITIONS.

2.4.1 Abandoned. A condition in which the facility or other General PP&E asset has been 'walked away from' or ceasing to maintain any part of the property. There are no plans for future reactivation and plans have been made to demolish or declare the asset item as excess at the earliest practical date.

2.4.2 Bulk Purchase. Bulk purchase for capitalization purposes is defined as a single acquisition of many separate items that if purchased individually would not be material, but is material when purchased as a single acquisition, or a

single acquisition of many separate items with some of the items being individually material.

2.4.3 Depreciation. Depreciation is 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 for land and land rights of unlimited duration.

2.4.4 Depreciable Basis. The depreciable basis of a General PP&E asset is the recorded cost reduced by the asset's salvage value, when the salvage value exceeds 10 percent of the asset's cost.

2.4.5 Ingrant. An ingrant is an agreement between NASA and another entity by which NASA is allowed to use the property owned by the other entity.

2.4.6 Mothballed. A condition where a facility or any other General PP&E asset has been deactivated and appropriate maintenance measures have been taken to prevent deterioration of its vital or essential systems or placed in protective storage. Higher first year costs would be expected because of preparations for mothballing, but future annual costs should be significantly lower due to reduced maintenance and repair requirements. Total time to deactivate and then to reactivate the facility, including the mothballed period, is expected to exceed 12 months.

2.4.7 Out-grant. An out-grant is an action by NASA granting certain rights such as leasehold, permits, and easements to the grantees to use NASA owned property in accordance with the terms and conditions of the grant and/or agreement.

2.4.8 Recorded Cost. The recorded cost is the acquisition cost of an asset plus any ancillary costs required to bring the asset to a form and location for its intended use.

2.4.9 Salvage Value. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling the asset at the end of its useful life, but only when such proceeds (from recycle, resale, salvage, etc.) are permitted to be retained and used by NASA. Typically, personal property (i.e., vehicles and equipment) will not have a salvage value. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value. For purposes of computing depreciation, real property assets (i.e., buildings, facilities and structures) do not have salvage values.

2.4.10 Standby. Condition where a facility or any other General PP&E asset that is temporarily not in use and appropriate maintenance measures have been taken to maintain its vital or essential operating systems in a state of readiness or availability for future use. Selective lifecycle cost effective facilities maintenance and repair is required. Total time to deactivate and

then to reactivate the facility, including the standby period, is expected to be less than 12 months.

2.4.11 Useful Life. The normal operating life in terms of utility to the owner.

2.5 CAPITALIZATION CRITERIA.

2.5.1 General. The following criteria apply to all General PP&E, including modifications, improvements, etc. for financial accountability. 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, and;

B. Have an estimated useful life of two years or more for all assets other than internal use software which has a useful life of 5 years, and;

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, and;

E. Have an alternative future use.

2.5.2 Bulk Purchase. Bulk purchases of General PP&E, that individually meet the capitalization threshold, shall be capitalized and depreciated in accordance with the policies established in this Volume. If the per item cost of a bulk purchase does not meet NASA's capitalization threshold, the bulk purchase shall be expensed in the period acquired. For bulk purchase of internal use software, refer to Chapter 5 of this Volume.

2.5.3 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.

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 Chapter 1 of this Volume. 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.

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 1750.1000, Government Owned Government Held Other Equipment.

2.5.4 Policy regarding physical accountability for government-held 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.

2.5.5 Capital Improvements/Modifications.

A. Capital improvements or modifications are changes 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 and modifications that meet the capitalization criteria are capitalized and depreciated. Modifications that do not meet the capitalization criteria are expensed.

C. In situations where the acquisition of a General PP&E items or modifications to an existing General PP&E is linked to an end item by way of a parent-child relationship, the cost of such individual acquisition or modification (child) will be included in the cost of the end-item (parent) for determining capitalization threshold. In situations where there is a parent-child relationship, for the purpose of determining the capitalization threshold of $100,000 or more, it is the combined cost of the individual items that make up the end item, not the cost of the individual items (child) that should be considered.

D. 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 separate accounting transaction from the recording of any additions or replacements. Replacements due to maintenance will be expensed.

E. Except for the situation of the parent-child relationship explained in Section 2.5.5 C. above, 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.

F. 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.

2.5.6 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."

2.5.7 Changes to Useful Life. Factors such as financial and operational conditions, physical wear and tear, or technological changes can affect the useful life of specific PP&E items. Periodic reevaluation/revisit of the useful life should be conducted when assets are affected by the factors identified in Section 2.5.5 above.

2.5.8 Research and Development (R&D). Research and Development costs are not capitalized; they are expensed as period expense. Many of the Theme Assets Projects and assets acquired and or fabricated in support of those projects are used for research and development and do not meet the criteria for capitalization. (See Alternative Future Use Questionnaire (AFUQ) section in Chapter 1 of this Volume regarding the determination of whether the costs incurred for PP&E acquisition (purchase or fabrication) meet the criteria for capitalization or R&D expense).

2.6 VALUATION.

2.6.1 Capitalized values shall include all costs incurred to bring General 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 General PP&E capitalized:

A. Labor and other direct or indirect production costs.

B. Amounts paid to vendors or contractors, including fees.

C. Transportation charges to the point of initial use.

D. Handling and storage charges (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.

2.6.2 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 the acquisition cost including the amount received for the trade-in. Capitalized value will be net of discounts taken.

2.6.3 Transfers and Donations.

A. Transfers of PP&E between a NASA Center and another Center or a contractor shall be documented using shipping documents such as a Requisition and Invoice/Shipping Document, DD Form 1149, a Material Inspection and Receiving Report, DD Form 250, or a Transfer Order Excess Personal Property, SF 122. 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 is used, the FSC code will be part of the national stock number (NSN). Transfers of PP&E between contractors within a NASA Center shall be noted on shipping documents and a copy should be furnished to the Center CFO or 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 supported by the applicable transfer documentation.

B. The logistics management office of a transferring Center will prepare the applicable documentation to support property transfers to another NASA Center (or its contractor).

2.6.4 Financial Controls.

A. Offsetting entries for transfers will be affected by the nature of the transfer (i. e. 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:

1. 5720.0000 Financing Sources - Property Transferred in Without Reimbursement.

2. 5720.2000 Financing Sources - Property Transferred in Without Reimbursement – Property.

3. 5730.0000 Financing Resources – Property Transferred out Without Reimbursement.

4. 5730.2000 Financing Resources – Property Transferred out Without Reimbursement – Property.

5. 6610.0000 Cost Offset Capitalization.

6. 6610.1000 Cost Capitalization Offset – Assets.

2.6.5 Work-in-Progress.

A. NASA shall classify all tangible personal property under construction (i.e., not complete) as work-in-progress (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.

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 placed in service, or beneficial occupancy occurs, 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."

2.6.6 NASA Property in the Custody of Contractors and Under Grants and Cooperative Agreements. NASA-owned contractor-held PP&E may be NASA-furnished or contractor acquired.

A. The contractor should accumulate the cost of PP&E within the project PP&E unique WBS element(s) and report the cost of any capitalized PP&E by separate line items on cost reports such as NASA Form 533 Contractor Cost Reports or other reporting vehicles. These requirements will be established at the inception of new contracts and will be reflected in modifications to all existing contracts for any new assets put in place.

B. NASA Property under Grant and Co-operative Agreements. Out-grants of General PP&E does not transfer the title of the property to the grantee, but only the rights to use the property during the period of the grant in accordance with the terms of the agreement. NASA will continue to own the General PP&E during the term of the grant and continue to account for the PP&E in NASA's accounting system. For more details about the out-grant of NASA-owned real property, please refer to NASA NPR 8800.15, "NASA Grant and Co-operative Agreement Handbook."

C. Property in the custody of NASA by reason of an ingrant agreement is not owned by NASA; title to such property still resides with the grantor. Hence, NASA will not account for the property as capital assets in NASA's PP&E accounts.

2.7 RECOGNITION.

2.7.1 General 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 placed in service, or beneficial occupancy occurs at which time the balance shall be transferred to General PP&E.

2.7.2 General PP&E shall be capitalized when title passes to NASA. Title shall be considered to be passed when a 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 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 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.

2.7.3 Capitalization of 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 and adjustments to 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.

2.7.4 Accounting transactions affecting NASA-owned PP&E acquired prior to October 2007, whether NASA or contractor-held, shall be recorded in general ledger asset accounts using fund HSFP01995D. However, assets purchased or fabricated beginning in October 2007 using the unique capital asset WBS will use the fund associated with the purchase or fabrication of that unique capital asset.

2.7.5 PP&E Temporarily Not In Use. General PP&E that is no longer in use shall be treated as follows:

A. Inactive PP&E. When a General PP&E asset, whether equipment or real property, is temporarily removed from service/use due to its current inactive status with the expectation that the asset eventually will be returned to service or use, the asset's value shall not be removed from General PP&E accounts. It will remain on the General PP&E accounts and continue to be depreciated during the period of non-use.

B. Standby or Mothballed Real Property PP&E. Real Property in a standby and mothballed status are only inactive for a temporary period of time and should not be removed from the General PP&E account.

2.7.6 PP&E Permanently Not in Use. Other than the General PP&E addressed in Sections 2.7.5 A. and B. above, when an item of General PP&E is not in use and no longer provides service in the operations of the entity it shall be removed from General PP&E accounts along with associated accumulated depreciation/amortization. This includes abandoned General PP&E. The asset may have suffered damage, become obsolete in advance of expectations, or has been 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 General 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.

2.7.7 Borrowed or Loaned Equipment PP&E. Equipment PP&E loaned-in from other organizations is not recorded in NASA's financial records. Equipment PP&E loaned-out to other organizations without transfer of title no longer provides service in NASA's operations and shall be removed from their business area general ledger accounts. Equipment PP&E borrowed from another NASA Center is treated as a transfer between Centers. The loaning Center shall remove the equipment from their financial accounting system and general ledger accounts, while the borrowing Center shall record the equipment in their financial accounting system and general ledger accounts.

2.8 DEPRECIATION.

2.8.1 General. NASA General PP&E assets are those assets that have a recorded cost that meet NASA capitalization criteria--often called "capital assets" or "fixed assets." NASA General PP&E shall be capitalized and, with the exception of land and land rights of unlimited duration, shall be depreciated. Land rights that are for a specified period of time shall be amortized (depreciated) over that time period. Such capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, shall be reflected in NASA financial statements.

2.8.2 Method of Depreciation. NASA policy is that the straight-line method of depreciation using the mid-year convention must be used for all assets.

Under the Mid-Year Convention Method, six months of depreciation is computed and expensed in the first and last year of an asset's useful life, regardless of the actual month the asset was placed in, or removed from, service.

2.8.3 Depreciable Basis. If the salvage value is 10 percent or less of the asset's cost, the salvage value is not considered material for purposes of calculating depreciation, and therefore, should not be considered when determining the depreciable basis. (In other words, if the salvage value is less than or equal to 10 percent of the asset's cost, the depreciable basis should be the same as the recorded cost.) Land is not subject to depreciation. Land rights that are for a specified period of time shall be amortized over the specified time period. When land and a building are purchased together, the depreciable basis for the building is the total purchase cost less the actual cost, or estimated value of the land.

2.8.4 Commencement of Depreciation. The event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document or the date installed and placed in service (regardless of whether it is actually used). In the case of constructed PP&E, the costs of constructing the PP&E shall be recorded as work-in-progress until it is placed in service, at which time the balance (total construction costs) shall be transferred to General PP&E. For real property assets, depreciation shall commence when the facility is placed in service, regardless of whether the facility is fully occupied or in use.

2.8.5 Excess of Useful Life. If an asset remains in use longer than its estimated useful life, it shall be retained in the property accountability or management system, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

2.8.6 Calculation of Depreciation. Depreciation expenses shall be calculated based on the recorded cost less salvage value and divided equally among accounting periods during the asset's useful life based on recovery periods in Table 2-1 of this chapter. Salvage value will be used in the calculation only if it exceeds 10 percent of the cost of the asset.

2.8.7 Recovery Periods. Table 2-1 (below) prescribes the recovery periods (useful lives) that shall be used for depreciable General PP&E assets.

Table 2-1, NASA Recovery Periods for Depreciable General PP&E Assets

NASA RECOVERY PERIODS FOR DEPRECIABLE GENERAL PP&E ASSETS (Excludes Heritage Assets)	
Description of General PP&E Assets	**Recovery Period**
Agency-Peculiar Equipment	15 Years
Other Equipment	5 to 20 Years Depending on its nature
Buildings, Hangers, Warehouses, Fuel Storage Buildings, Air Traffic Control Towers, and Other Real Property Buildings	40 Years
Other Structures and Facilities	15 Years
Improvements to Leased Buildings and Other Real Property (Leasehold Improvements)	Remainder of Lease Period or 20 Years Whichever Is Less
Land Rights of Limited Duration	Over the Specified Duration
Internal Use Software	5 Years

2.9 DISPOSAL.

2.9.1 Other than the General PP&E addressed in Sections 2.7.5 A. and B. above, when an item of General PP&E is not in use and no longer provides service in the operations of the entity it shall be removed from General PP&E accounts along with associated accumulated depreciation/amortization. This includes abandoned General PP&E. The asset may have suffered damage, become obsolete in advance of expectations, or has been 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 General 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.

2.9.2 Contractors are required to provide data on the values of contractor-held PP&E not in use on the annual NASA Form 1018, Property in the Custody of Contractors and the monthly property reports submitted in NASA's Contractor Held Asset Tracking System (CHATS). These data are used to remove the value of contractor held PP&E not in use from NASA's asset accounts.

2.9.3 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)).

2.10 DOCUMENTATION.

2.10.1 Supporting Documentation. When recording the acquisition/construction cost of NASA General PP&E, the dollar value assigned to the asset shall be supported by appropriate documentation. Entries to record financial transactions in general ledger accounts and/or supporting subsidiary property accountability records must be supported by source documents that reflect all transactions affecting NASA's investment in the PP&E, including:

A. Acquisitions. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be fully documented. The following documents, at a minimum and when applicable, shall be available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement:

1. Final bid documents;

2. Contract or Other Legal Instrument (i.e., Lease);

3. Contract Modifications or Change Orders;

4. Signed acceptance document by NASA;

5. Material Inspection and Receiving Report;

6. Invoices or other approved cost reports to support PP&E purchased and amount accumulated in WIP accounts;

7. Transfer documents for transferred assets;

8. Appraisal results for donated assets.

B. Disposals. All disposals or retirements must be fully documented when the PP&E leaves the custody of NASA or Component Facility. The following supporting documentation is required, as applicable, to provide an adequate audit trail for the disposal of a real property asset. The execution of certain disposal events will generate financial or administrative accountability transactions.

1. Declaration of excess document;

2. Approval documentation (to include disposal of land);

3. Original acquisition documents;

4. Legal instruments (such as a deed or contract) to indicate legal obligation to dispose of an asset;

5. Document showing the disposal start date;

6. Receipt documentation;

7. Transfer documents for transferred assets or as otherwise stated.

2.11 FINANCIAL RECORDS RETENTION.

2.11.1 NASA Centers, Component Facilities and Headquarters offices must maintain complete records on the cost and accountability of all capitalized assets under their control. In particular, Center CFO's must maintain documentation that supports the recorded cost and associated depreciation for each NASA owned real property asset under the Center's control. Centers must maintain this documentation at the Center for the life of the asset and then for three fiscal years after disposal or transfer of the asset.

2.11.2 Center's are required to maintain auditable documentation for each capitalized asset that supports:

A. The cost of each real property asset recorded in the official accounting system;

B. The date the asset was placed into service;

C. The asset's useful life;

D. The cost any subsequent capital improvements;

E. The calculation of any depreciation recorded at the Center level;

F. The valuation change recorded at the time of disposal, or transfer.

2.11.3 Examples of documents that must be maintained in the official financial records for real property:

A. Copy of purchase document/invoice/acquisition;

B. Copy of settlement agreement that includes cost and date of purchase/transfer, date placed in service;

C. Date ownership transferred; and

D. Identification of useful life of the asset in order to calculate depreciation.

2.12 ENVIRONMENTAL LIABILITIES RELATED TO PP&E.

2.12.1 For environmental/cleanup costs liability associated with removing, containing and/or disposing of PP&E, please refer to NASA FMR Volume 6, Chapter 9, "Environmental and Contingent Liabilities."

2.13 CONTINUOUS MONITORING PROGRAM (CMP).

2.13.1 For detailed verification, reconciliation and validation of NASA owned NASA-held and NASA owned contractor-held PP&E, please refer to the specific control activities described in the NASA Continuous Monitoring Program.