

**CHAPTER 3. REAL PROPERTY**

**TABLE OF CONTENTS**

3.1	OVERVIEW.....	3-1
3.2	AUTHORITIES AND REFERENCES.....	3-1
3.3	ROLES AND RESPONSIBILITIES. ....	3-1
3.4	DEFINITIONS. ....	3-3
3.5	CLASSIFICATION AND IDENTIFICATION.....	3-4
3.6	CAPITALIZATION CRITERIA. ....	3-5
3.7	VALUATION AND RECOGNITION.....	3-8
3.8	DEPRECIATION. ....	3-10
3.9	FINANCIAL CONTROLS .....	3-10

## CHAPTER 3. REAL PROPERTY

### 3.1 OVERVIEW.

3.1.1 Purpose. This chapter prescribes accounting policies for real property.

3.1.2 Applicability. This chapter applies to all NASA owned and, NASA owned contractor-held real property as well as real property acquired or furnished under NASA grants and cooperative agreements with educational institutions and non-profit organizations. Contractor-held property is NASA owned property in the possession of a contractor, and includes NASA furnished property, contractor-acquired property or contractor fabricated property.

### 3.2 AUTHORITIES AND REFERENCES.

#### 3.2.1 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. 29, Heritage Assets and Stewardship Land

#### 3.2.2 NASA Directives and Requirements.

- A. NASA FAR Supplement (NFS)

### 3.3 ROLES AND RESPONSIBILITIES.

#### 3.3.1 Center Chief Financial Officer shall:

- A. Exercise the responsibilities enunciated in Chapter 1, Section 1.5.4 of this Volume and the policies prescribed in this chapter to ensure that adequate financial controls are in place and financial records and reports accurately reflect the status of real property under the cognizance of the Center. Their responsibilities also include maintaining close liaison with property management and other personnel concerned with real property to provide assurance that values reported are accurate.
- B. Quarterly, conduct a review with the Center Real Property Official to determine the physical completion status of individual facilities projects.
- C. Maintain financial records for each capital facility project in progress.

- D. Maintain the original of the completed NASA Form 1739, *Alternative Future Use Questionnaire* (AFUQ).
- E. Ensure that all completed capital facility projects are capitalized upon beneficial occupancy, if it meets the capitalization criteria.
- F. Ensure that accounting system data is reconciled to real property records. Reconciliation 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).

3.3.2 Project Manger shall:

- A. Prior to the beginning of a project:
  - 1. Inform the Agency Office of the Chief Financial Officer (OCFO) Property Branch of any real property acquisition strategy meetings.
  - 2. Complete and submit to the Center OCFO Property Branch the AFUQ for to identify the accounting treatment for real property assets acquired under the project.
  - 3. Create a unique Work Breakdown Structure (WBS) element, or elements, within the project WBS structure, for the capitalized real property identified through the NASA Form 1739, *Alternative Future Use Questionnaire* (AFUQ) for property acquired/constructed, whether NASA or contractor-held.
  - 4. Project Managers must request that the applicable asset attribute indicator be set in Metadata Manager (MdM) for each NASA Property, Plant and Equipment (PP&E) WBS element.
  - 5. Develop, in conjunction with the Center Chief Financial Officer (CFO), Center Deputy Chief Financial Officer (DCFO) and resource management and procurement personnel, the financial management reporting requirements and instructions.
  - 6. Accumulate costs of each capitalized real property in its associated unique WBS element, and reporting category.
- B. Once the Project is underway:
  - 1. Review contractor requests for approval to purchase/construct real property to determine if the purchase and/or construction meets the capitalization criteria and notify the Contracting Officer of their concurrence via electronic mail or in writing, specifying the unique WBS element for each item of capitalized real property.
  - 2. Update and submit to the Center OCFO a revised NASA Form 1739, AFUQ whenever the circumstances or information described on the previous NASA Form 1739 change.

3. Create a unique WBS element within the project WBS structure for each real property that meets the capitalization criteria, whether NASA or contractor-acquired, and provide those as separate reporting categories (typically on the NASA Form 533, *Monthly Contractor Financial Management Report*, in the case of cost contracts) or as separate contract line item numbers (CLINS) (in the case of FFP contracts) to the Contracting Officer for inclusion in existing contracts.

### 3.3.3 The Office of Procurement shall:

- A. After the contract award, 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 Chief Financial Officer (DCFO) (NFS 1845.103-70).
- B. After the contract award, 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 NPD 9501.2D, "NASA Contractor Financial Management Reporting").
- C. In consultation with the Real Property Accountable Officer, furnish information to identify costs applicable to construction work in progress.

### 3.3.4 The Center Real Property Accountable Officer shall:

- A. In consultation with the Center Facility Utilization Officer or Facility Utilization Board, notify the Center CFO/Center DCFO for Finance (DCFO)(F) when real property for which the Center is accountable (including contractor-held real property) is no longer being used for NASA purposes.
- B. Maintain detailed documentation/record of real property in accordance with NPR 8800.15.
- C. Assist the Center CFO/DCFO(F) as requested, with the reconciliation of real property reports to the accounting system.

## 3.4 DEFINITIONS.

- 3.4.1 Land and Land Rights. Land and Land Rights include the identifiable cost of land and land rights of unlimited duration acquired for or in connection with general property, plant, and equipment used in general operations and

permanent improvements. Land and land rights accounts include not only the land, but also the rights to it, such as easements.

3.4.2 Improvements to Land. Improvements to Land includes the cost of nonpermanent, depreciable improvements to land used in general operations. Also includes similar costs to land subject to stewardship reporting, as well as land rights of limited duration that are associated with general operations. The distinction between land and land improvements is that while land has an indefinite life and non-depreciable, land improvements have an estimated useful life (finite life), and it is capitalized and depreciated. Examples of land improvements include the cost of parking lots, driveways, fences, lawn, and garden sprinkler systems. The costs of land improvements are capitalized and depreciated.

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

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

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

### 3.5 CLASSIFICATION AND IDENTIFICATION.

3.5.1 Individual items of real property shall be categorized into one of the classes of real property as defined in Section 3.4 of this Chapter.

3.5.2 As part of NASA's efforts to appropriately account for its assets and its expenses, NASA requires that the *Capital Asset Identification Questionnaire*, NASA Form 1739, be completed for all NASA infrastructure and institutional projects. The purpose of this form is to determine the appropriate accounting

treatment for each individual asset acquired during the course of an infrastructure and institutional project. If an individual asset meets these criteria, then it must be capitalized, and a unique WBS element, or elements, within the project WBS structure must be established for that unique item.

### 3.5.3 Construction in Progress.

- A. Procedures should be established to ensure that a collective decision is made by the Center real property and financial management offices, at the outset of work, as to the nature of the work and its proper accounting treatment, i.e., items to be capitalized are assigned a unique Work Breakdown Structure, costs of repairs and maintenance are expensed and not included in work in progress (WIP), capital costs are accumulated in work in progress until the asset is completed and that AFUQ is prepared. This analysis should extend to individual tasks where necessary, since some work under a particular contract or work order may be of a capital nature and other work may not.
- B. Procedures shall ensure that the costs of facilities projects are capitalized in accordance with Chapter 2, Section 2.6.5 of this Volume and the related amounts removed from work in progress. A review of the physical completion status of individual facilities projects shall be conducted with Center real property officials sufficiently in advance of the end of each quarter of the fiscal year, so that necessary entries can be made to properly reflect their current status.

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

3.5.5 Costs will be recorded in accordance with NASA Financial Management Requirements (FMR), Volume 7, *Cost*. Facility projects meeting the requirements for work in progress should be separately identified in the accounting system through job orders, contract numbers or a work order system.

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

## 3.6 CAPITALIZATION CRITERIA.

3.6.1 NASA will capitalize individual items of real property which:

- A. Have a unit acquisition cost of \$100,000 or more;
- B. Have an estimated useful life of two years or more, and;

- C. Have been acquired or constructed with the intention of being used, or being available for use by the Agency.

### 3.6.2 Collateral Equipment.

- A. Collateral equipment includes building-type equipment, built-in equipment, and large substantially affixed equipment, normally installed as a part of a facility project, whether it is original facility construction or modification. Such a project is considered a single event (see Chapter 2, Section 2.5.3 of this Volume).
- 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 criteria. If it is a capital project, the value of the collateral equipment will be included in the capitalized value. The cost of replacements of the collateral equipment or collateral equipment added to an existing facility will be treated as either a capital improvement or maintenance, depending on the circumstances (see Chapter 2, Sections 2.5.5 and 2.5.6 of this Volume).
- 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.

### 3.6.3 Modifications. All modifications that meet the capitalization threshold for real property and (1) extend the useful life of the existing real property, or (2) enlarge, improve, or enhance its capacity will be capitalized and depreciated as follows:

- A. Real Property Not Fully Depreciated. Modifications to Real Property that is not fully depreciated will be added to the capitalization value of the existing real property and will be depreciated over the remaining useful life of the original asset.
- B. Real Property Fully Depreciated. Modifications to Real Property that is fully depreciated will be capitalized individually and depreciated over  $\frac{1}{2}$  of the useful life of the original assets useful life. Therefore, modifications to buildings that are fully depreciated will be depreciated over 20 years, which is equal to  $\frac{1}{2}$  of the useful life of Buildings – 40 years; and modifications to Other Structures and Facilities that are fully depreciated will be depreciated over 7.5 years, which is equal to  $\frac{1}{2}$  of the useful life of Other Structures and Facilities – 15 years.

### 3.6.4 The cost of NASA-owned buildings and other structures and facilities and related improvements located on land not owned by NASA will be included in

Buildings, Improvements, and Renovations (1730.0100) or Other Structures and Facilities (1740.0100) as appropriate.

- 3.6.5 The cost of facilities constructed by or through foreign governments or in foreign countries under NASA contracts will be capitalized in accordance with the title rights contained in formal agreements.
- 3.6.6 Real Property Not In Use.
- A. As required by SFFAS No. 6, real property not in use by NASA will be removed from the asset accounts. The Center Real Property Accountable Officer, in consultation with the Center Facility Utilization Officer or Facility Utilization Board, shall notify the DCFO(F) when real property for which the Center is accountable (including contractor-held real property) is no longer being used for NASA purposes. Based upon this notice, the Center CFO/Center DCFO(F) shall remove the capitalized cost of the real property from the accounting records.
- B. Real Property in a standby or mothballed status that is inactive for only a temporary period of time should not be removed from the real PP&E accounts. Real PP&E in an abandoned status is permanently inactive and should be removed from the general PP&E accounts along with the associated accumulated depreciation. For definitions of standby, mothballed, and abandoned PP&E, please refer to Chapter 2, Section 2.4 of this Volume.
- 3.6.7 Unrecorded Real Property.
- A. When it is determined that real property is found on a station and not recorded in the NASA Real Property Inventory (NRPI) System, NASA Headquarters OCFO Property Branch, Center Real Property Officer (RPO) and the appropriate Center Property Accountant should be involved in the resolution process.
- B. The Center should attempt to locate the real property acquisition documents to determine acquisition date and if property meets standard capitalization criteria to establish a basis for depreciation. If acquisition documents are located, ensure the property is tagged and recorded in the NRPI using the original acquisition date and original cost.
- C. If acquisition documentation cannot be found for unrecorded real property, the property will need to be valued based on comparable items purchased using a comparable time period and estimated date of beneficial usage or occupancy. If comparable documents are not available, request an engineering estimate even if it appears the real property has exceeded its useful life. The costs of these items need to be included in our financial statements to reflect the actual cost of real property (structures, facilities and leasehold improvements).

- D. As a minimum, the engineering estimate should include construction year (when applicable), acquisition date, acquisition cost and type of asset.
- E. Unrecorded real property will be recorded as a new acquisition or capital improvement based on determination of Center property accountant and supporting documents. The rules for non-severable and severable property apply.

### 3.7 VALUATION AND RECOGNITION.

#### 3.7.1 Recognition.

- A. Construction in Progress. In the case of real property constructed for NASA, it shall be recorded in the general ledger as construction work-in-process (WIP) until the property is accepted to be placed in service by NASA.
- B. Beneficial Occupancy. The date the facility is accepted for use is known as the beneficial occupancy date. Capitalization of construction work-in-progress will not be delayed pending final acceptance of residual closeout work such as punch lists. On the beneficial occupancy date, the construction WIP balance will be capitalized as General PP&E. All 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. 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.
- C. Year End. At fiscal year-end, special care shall be taken to ensure that any assets meeting capitalization criteria, including beneficial occupancy, are capitalized in the amount of the costs incurred up to that time regardless of whether any of those costs remain unpaid.

#### 3.7.2 Valuation.

- A. NASA Fabricated or Purchased Real Property.
  - 1. The total cost of each single item of real property should be used to determine whether it meets the capitalization criteria, regardless of when payment was made.
  - 2. If a building is accepted prior to the end of the fiscal year, meets the capitalization criteria, and is capitalized, any related remaining cost paid in the next fiscal year will be included in the capitalized value.
  - 3. If an item does not meet the capitalization threshold at the end of the fiscal year, but related remaining costs paid the next fiscal year result in the total cost of the asset meeting the capitalization threshold, the

entire cost of the asset should be capitalized in the next fiscal year (assuming the other capitalization criterion are met).

4. Real property purchased or fabricated using the unique capital asset WBS will use the fund associated with that unique capital asset WBS and costs will be accumulated for capitalization with journal vouchers prepared by the property accountants.
  5. Each real property acquisition, addition, improvement, alteration, rehabilitation, or replacement that meets the capitalization criteria will be treated as a single event. The total cost of a project, i.e., a building, will be considered a single event regardless of whether the work was performed on multiple contracts.
- B. Donated Real Property. When NASA acquires real property by donation, device or judicial process excluding forfeiture, the cost to be recorded shall be estimated fair value at the time of acquisition. Real property acquired by donation which meets the capitalization criteria will be recorded in the appropriate asset account at estimated fair value at the time acquired by NASA.
- C. Real Property Transfers-in From Another Federal Agency.
1. Without Reimbursement. When real property is transferred from other federal entities to NASA without reimbursement, the amount recorded shall be the acquisition cost less accumulated depreciation recorded by the transferor, if the capitalization criteria are met. If the value cannot be reasonably estimated, the real property shall be recorded at its fair value at the time of transfer, if the fair market value is \$100,000 or more. The date the transferor originally acquired the real property 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.
  2. With Reimbursement. When real property is transferred from other federal entities with reimbursement to the transferor, the amount recorded shall be amount of reimbursement to the transferor, if it meets the capitalization criteria.
  3. Transfer of real property between NASA Centers. Real property 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 and accumulated depreciation as previously maintained in the books of the transferring Center.

### 3.8 DEPRECIATION.

3.8.1 Depreciation Method. NASA uses the straight line depreciation method for all real property. Table 2-1 in Chapter 2 of this Volume contains the expected useful life for each of the various types of PP&E.

3.8.2 Change in Useful Life. Estimates of the remaining useful lives of real property should consider factors such as physical wear and tear and technological changes. Procedures should be established to periodically evaluate any such possible changes. In accordance with SFFAS No. 6, any changes in estimated useful life or salvage/residual value shall be treated prospectively. The remaining book value shall be depreciated over the revised remaining life of the asset on a straight-line basis. The change shall be accounted for in the period of the change and future periods. No adjustments shall be made to previously recorded depreciation or amortization.

#### 3.8.3 Disposal.

A. Transfer Out to Another Federal Agency. The transfer of capitalized real property to other Federal agencies will be recorded as a reduction to the asset accounts for the recorded value of the real property. When real property has been declared excess (excluding property in foreign countries) and accountability transferred to another Federal agency, reimbursements related to the transfer will be deposited to Special Fund Account 805005.2 (Land and Water Conservation Fund), through September 30, 2015.

B. Sale or Transfer to a Non-Federal Entity. When real property has been declared excess (excluding property in foreign countries) and title has been transferred to a non-governmental entity, reimbursements related to the transfer will be deposited to Special Fund Account 805005.2 (Land and Water Conservation Fund), through September 30, 2015, and will be recorded as a reduction to the asset accounts for the recorded value of the real property.

C. Property in Foreign Countries. Proceeds from sales of surplus real property in foreign countries will be deposited to Account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

### 3.9 FINANCIAL CONTROLS.

3.9.1 Real Property Accounts. Capitalized real property will be classified under the following accounts listed in Table 3-1 Real Property Accounts and Titles:

Table 3- 1, Real Property Accounts and Titles

Account Number	Account Title
1711.0100	Government Owned Government Held Land and Land rights
1711.0200	Government Owned Contractor Held Land and Land rights
1712.0100	Government Owned Government Held Improvements to Land
1712.0200	Government Owned Contractor Held Improvements to Land
1719.0100	Government Owned Government Held Accumulated Depreciation on Improvements to Land
1719.0200	Government Owned Contractor Held Accumulated Depreciation on Improvements to Land
1720.0100	Government Owned Government Held Construction-in-Progress
1720.0200	Government Owned Contractor Held Construction-in-Progress
1730.0100	Government Owned Government Held Buildings, Improvements, and Renovations
1730.0200	Government Owned Contractor Held Buildings, Improvements, and Renovations
1739.0100	Government Owned Government Held Accumulated Depreciation on Buildings, Improvements, and Renovations
1739.0200	Government Owned Contractor Held Accumulated Depreciation on Buildings, Improvements, and Renovations
1740.0100	Government Owned Government Held Other Structures and Facilities, and Facilities
1740.0200	Government Owned Contractor Held Other Structures and Facilities, and Facilities
1749.0100	Government Owned Government Held Accumulated Depreciation on Other Structures
1749.0200	Government Owned Contractor Held Accumulated Depreciation on Other Structures
1820.0100	Government Owned Government Held Leasehold Improvements
1820.0200	Government Owned Contractor Held Leasehold Improvements
1829.0100	Government Owned Government Held Accumulated Amortization on Improvements Leasehold
1829.0200	Government Owned Contractor Held Accumulated Amortization on Improvements Leasehold