



MEMORANDUM FOR THE RECORD

SUBJECT: Year-end Processing for Bankcard Transactions

Issue

The NASA FY 2010 Appropriations Bill provides that NASA's Cross-Agency Support Funds (CASX) are limited to a one-year period of availability and will expire on September 30, 2010. This paper addresses the requirements for successfully processing Bankcard Transactions.

The NASA Bankcard is an integral part of the mechanisms available to procure authorized goods and services. Before orders are placed using the Bankcard, cardholders are required to record the order in the purchase log. This process results in a real-time "commitment" being recorded into SAP. The operating procedures in previous year-ends are as follows:

- The monthly statement is received in mid-September and distributed to all cardholders.
- The cardholders have a specified number of days (determined by the Center Procurement Office) to review and validate (or dispute) charges.
- Once the statement is "reconciled", the information is loaded into SAP which results in converting commitments to obligations at the transaction level.

The Center Procurement Office in conjunction with the Center CFO establishes a cut-off date for the use of all Bankcard purchases with expiring and non-expiring funds. For example, the dates used by KSC last year were July 22nd for expiring funds and September 30th for non-expiring funds. The earlier date for expiring funds was due to minimal activity. Transactions for Bankcard activity that have not been billed to NASA and activity that has occurred subsequent to the monthly statement cutoff, is reflected in SAP as a "commitment" at the transaction level. To close-out the fiscal year, the Centers record an accrual journal voucher moving summary level data from commitments (SGL Account 4700) to delivered orders – obligations unpaid (SGL Account 4901). When the new fiscal year opens, the journal voucher is reversed.

For Financial Statement reporting purposes, the sum of the Bankcard commitments are reported as obligations on all external reports since they are required to be prepared from the SGL. For internal reporting, the actual obligations reported may have included commitments from the Bankcard depending on how the information was extracted from SAP.

A previous suggestion was made to request the Agency design change the transactional processing of Bankcard orders from the practical approach currently used to a more

technically correct approach; specifically to have transactions “obligate” in lieu of “commit” at the time the order is placed. While that suggestion is being reviewed against the costs/benefits of making such a change in transactional processing for the Agency, we provide the following recommendations.

Guidance

Continue with the same operating procedures as in previous years and establish an early cut-off date for all expiring funds (including CASX22010D and OIGX22010D) to provide sufficient time for year-end close-out activities. The Centers and NEACC have agreed to an August 3rd Bankcard cut-off date for all expiring funds. A Bankcard system edit will be implemented that prevents the creation of orders with all expiring funds on August 3, 2010.

The need for a cut-off date to ensure sufficient time for year-end close-out activities is critical for all non-emergency Bankcard procurements. In determining the cut-off date for bankcard purchases using expiring funds, consideration should be given to a number of factors including procurement workloads, the timeliness of vendors submitting transactions to Visa for reimbursement, and some specific Bankcard transactional activity that recurs automatically on a monthly basis, i.e., some items charged on the Bankcard are set to automatically post on a recurring basis. Posting just one item or having residual commitments that have not been billed via the Bankcard would require the preparation of a journal voucher to record cost at year-end. An earlier cut-off would (in most cases) just minimize the amount of the journal voucher needed, not eliminate the need for a journal voucher.

From an appropriation law standpoint, an obligation is made at the time a valid order is placed. The processing of a commitment and subsequent accruing of an obligation is procedural in nature for financial reporting, as was selected in 2004 as being more practical and appropriate for the Agency. As long as the bona fide need rule is met at the time the order is placed and the goods or services are nonseverable, these are valid obligations, even though they will not be shown as obligations at the transactional level until such time as the charges are reconciled and recorded into SAP, which is the practical accounting process for Bankcard purchases the Agency selected in 2004. Please note that the Bankcard is a mechanism to procure, and that all procurements must follow all appropriation law guidelines.

The NSSC uses the bankcard for purchases of training courses. Training purchases have been determined generally to be nonseverable contracts, the NSSC will continue to use the bankcard for training purchases until September 15, 2010, where a bona fide need exists for training which occurs in October and November of FY11. (Guidance for determining the bona fide need for training in this situation is provided in the CATT white paper on Training.) This does not present a problem with the NEACC hard cutoff date in SAP for expiring funds,

as the NSSC uses Working Capital Funds for these transactions. This will allow for the NSSC to bill the Centers for the training purchase commitments and the costing and the liquidations will be recorded in SAP before yearend close.

Items for Discussion

Use of CASX22010D and OIGX22010D for Obligation in FY11 to Cover Bankcard Charges:

In past fiscal years, since CAS and IOG were two-year appropriations, all order logs (obligations) not reconciled by early September citing expiring funds were replaced with non-expiring funds. The change for FY10 is the use of a one year appropriations(CASX22010D and OIGX22010D) to fund bankcard purchases. CASX22010D and OIGX22010D are one year appropriations and will expire as of 11:59pm September 30, 2010. Orders funded with CASX22010D and OIGX22010D that are not reconciled (posted as obligations in SAP) cannot be replaced with non-expiring funds and will need to be obligated in SAP in FY11.

The following process would be followed to obligate CASX22010D and OIGX22010D only during the first quarter of FY11:

1. Center executes the Bankcard Interface. PRs citing CAS funding fail to be processed via the interface and are reported as Bankcard discrepancies.
2. Center submits SR for Bankcard Discrepancies via Remedy
3. Approval provided by HQ-OCFO – Agency BPS for Bankcard Discrepancy SRs requiring obligation of expiring funds.
4. NEACC performs the standard process for addressing Bankcard Discrepancies
5. Updates to the bankcard accrual process: The bankcard accrual is currently booked to the fund of operation (EXCX22010D for KSC) and would not be reference CASX22010D or OIGX22010D. A separate accrual would need to be posted by each Center to CASX22010D and/or OIGX22010D.

Bankcard Processing Steps for CAS One Year Appropriation (CMO, AMO, IPP, Institutional Investments, Congressional Earmarks):

August 3rd cut-off date for all expiring funds (including CASX22010D and OIGX22010D)

- Agency bankcard cut-off date is August 3, 2010.
- Bankcard August statement is reconciled by bankcard holder by August 31st.
September statement is reconciled by bankcard holder and recorded into SAP by September 27th.
- Process:
 - A. Prior to September 30, 2010
 1. Bankcard reconciliation is finalized and completed by bankcard holder and recorded in SAP. CFO Resource's personnel will continue to monitor

unobligated budget and view bankcard open commitments (by program/projects).

2. Resources and bankcard holders need to work closely together to reconcile log sheets and BW reports prior to September 27, 2010 in order to assure validity of bankcard balances and open commitments.
3. On September 30, 2010 the only open commitment balance (by program/projects) should be in reference to bankcards. Any other open commitment or available budget should be obligated in accordance to the Bona Fide Need Rule on a nonseverable procurement, prior to fiscal year closeout (expiring funds).
4. Resources will ensure bankcard open commitments are valid. Finance will utilize open commitment report as the basis for journal voucher (JV) accrual NLT September 30, 2010.
 - ✓ Action of JV is to accrue an obligation and cost bankcard open commitment at the CAS and OIG appropriation. This is consistent with the year-end Bankcard procedure that has been in place for many years. Obligation and cost will not appear in SAP/BW by program/project.
5. Resources continue monitoring CAS and OIG appropriation to ensure appropriate funds will be obligated by September 30, 2010 (except bankcard open commitments).
 - ✓ Designated Resources POC will remain until following is performed:
 - ❖ Finance is finished processing all PRs and accounting transactions.
 - ❖ All contracts are obligated.
 - ❖ Procurement is finished awarding/processing all documents.
 - ❖ Final CAS and OIG reports, by projects (CMO, AMO, IPP, Institutional Investments, Congressional Earmarks), are pulled from SAP showing complete fund status and reviewed by CFO Management. CAS and OIG project analysis as follows:
 - Unobligated authority/open commitment = unobligated credit card balances used in JV
 - Unobligated authority = open bankcard commitment

- Obligations + Open Bankcard Commitments = 100 % budget authority received
- ✓ If all CAS and OIG appropriations are obligated, except for bankcard open commitments, CFO recommend system close for 2010 (assuming 100% obligations).
- ✓ Unobligated authority/commitment, by projects when summed-up, will equal JV CAS and OIG amount accrued NLT September 30, 2010.

B. After September 30, 2010/FY2011 Startup

1. Reports pulled from BW at the project level (for September FY10 yearend) will show one year CAS and OIG appropriations (for bankcards) as committed only.
2. At the start of FY11, the JV accrual will be reversed for all bankcards (unobligated authority/open commitment, by projects when summed-up, will equal JV CAS and OIG amount accrued NLT September 30, 2010). At the start of FY11, the NEACC will also reverse all open commitments (expired funds) allowing funds to return to budget authority by program/project.
3. Analysts must ensure that expired budget authority (at the project level) is available for upward adjustments in order to commit, obligate, and cost the pending FY10 bankcard purchases.
4. The pending FY10 bankcard commitment, obligations, cost, and disbursement will be recorded in BW as FY11 activity; however, the FY10 JV was recorded as an FY10 accrual. As a result, program/projects will need to manually adjust FY10 financial reports to reflect the JV accrual and remove the obligation/cost activity from the FY11 BW reports, if deemed appropriate.
 - ✓ Center create and submits SR for bankcard discrepancies via Remedy
 - ❖ SR's created to request approval of upward obligation adjustments on expired funds should be categorized as Year-end and include "CAS" or "OIG" in the "Short Description" field. This will ensure that they receive top priority for review and approval by the OCFO. If an SR has not been acted upon within 2 business days, Centers should contact OCFO/Charles McIntosh or OCFO/John O'Fallon to request expedited processing.

- ✓ Approval provided by HQ OCFO
- ✓ NEACC performs the standard process for addressing bankcard discrepancy
- From an Internal Controls perspective, it is critical to ensure that the report used by Finance to prepare the year-end accrual (journal voucher) and for Resources to adjust internal financial reports to accurately reflect obligations. It is important that Resources understands that the JV records the bankcard open commitments as obligated and costed in FY10. Internal Control will:
 - Provide communications to all cardholders regarding the limits for using the card with CASx22010 and OIGX22010 funds.
 - Randomly sample cardholders after the cut-off date to ensure that the card has not been used for CASx22010 and OIGX22010 funds.
 - Validate, with Finance and Resources, that the reports agree.
 - Validate JV accrual to reports.
 - Ensure JV accrual is reversed when systems opens.
 - In FY 2011, validate that all bankcard commitments that existed at September 30, 2010 were obligated at the transaction level and that there were no additional bankcard transactions for CASx22010 and OIGX22010 that were not recorded.