



MEMORANDUM FOR THE RECORD

SUBJECT: Contract Cost Accruals

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 contract cost accruals using CASX funding.

Guidance

Awards that have funds expiring on September 30, 2010, must be reviewed early in FY2010 to ensure adequate funding are on these awards to cover expenses through September 30. For those awards that are deemed severable and prohibited from having forward funding, the Center needs to review the 3rd quarter-ending, June 30, burn rate and adjust the obligation on these awards as necessary. Additionally, discussions with contractors, who have early accounting cut-off to complete its reporting requirements, must be conducted prior to August 2010; so that the contractors are aware that the August 533s must include a good *estimate* for September costs and that the September 533s include *all* of the September actual costs. Center budget analysts, contracting officers and cost accountants must be included in these discussions. In the event that the contractor is unable to extend its accounting cycle to September 30, the Center must follow the documented process for obtaining expired funds to cover all of September expenses. See Appendix A and Example B noted below.

Also, for costs that were incurred on the contract/purchase order, for which adequate funding was not obligated on the award, *and* the costs incurred is attributable to an antecedent liability against the expired appropriation, the Center must request an upward adjustment to the contract/purchase order according to 31 U.S.C. § 1553, Availability of Appropriation Accounts to Pay Obligations.

<http://uscode.house.gov/download/pls/31C15.txt>

CAS expiring funds will not be rolled up to the Agency level as part of the FY 2010 closing process. Instead, any unobligated funds remaining in expiring accounts will remain at the Centers until the end of the first quarter of FY 2011 to leave a small amount of funding available at the Centers to facilitate the completion of adjustments to existing obligations anticipated early in FY 2011.

Current SAP system edits allow users to process upward obligation adjustments on expired funds up to 10% or \$500.00, whichever is lower. Anything outside of these parameters will require an SR and OCFO approval. SR's created to request approval of upward obligation adjustments on expired funds should be categorized as Yearend and include "CAS" in the "Short Description". This will ensure that they receive top priority for review and approval by the OCFO. If an SR has not been acted upon within two business days, Centers should contact OCFO/Charles McIntosh or OCFO/John O'Fallon to request expedited processing. Please reference Appendix A for SR process to request funds for upward adjustments on expired appropriations.

The following are *examples* of circumstances that would require upward adjustments to award documents.

533 Cost Contract – Deemed Severable

Example A:

September (FY 2010)

- The contractor submits its 533 on or about the 15th workday of the month
 - September 533 includes August actual and an estimate of the September costs
 - Note: Need to ensure adequate funding to cover the accrual for September estimate

October (FY 2011)

- The contractor submits its 533 on or about the 15th workday of the month
 - October 533 includes September actual costs through September 30 and an estimate of the October costs

Issue: September actual costs are *greater* than the accrual and funded amount due to increased labor hours worked.

Question: How does the Center fund cost over obligation in this example?

In the above-referenced example, if an upward obligation adjustment on expired funds greater than 10% or \$500.00, whichever is lower, is required, the Center will need to follow the procedures currently in place to obtain additional funding in order to apply cost against expenses incurred in the year that the appropriation was available for commitment. See Appendix A, attached hereto, for process flow documentation.

Example B:

September (FY 2010)

- The contractor submits its 533 on or about the 15th workday of the month
 - The September 533 includes August actual and an estimate for the September costs
- The contractor cuts off its accounting period on September 25th in order to close its accounting cycle and produce necessary reports to NASA.

October (FY 2011)

- The contractor submits its 533 on or about the 15th workday of the month
 - The October 533 should include the September actual and an estimate for the October costs

November (FY 2011)

- The contractor submits its 533 on or about the 15th workday of the month
 - November 533 includes an increase in September actual costs, the October actual and November estimated costs.

Issue: Previously reported 533 only included 25 days of September expense. The contractor's true-up in cost for September is now being reported.

Question: How does the Center fund cost over obligation in this example?

In the above-referenced example, if an upward obligation adjustment on expired funds greater than 10% or \$500.00, whichever is lower, is required, the Center will need to follow the procedures currently in place to obtain additional funding in order to apply cost against expenses incurred in the year that the appropriation was available for commitment. See Appendix A, attached hereto, for process flow documentation.

Example C:

Example C is provided for those awards where cost over obligation is attributable to an antecedent liability due to task order changes directed by NASA but reported after appropriation expired.

September (FY 2010)

- The contractor submits its 533 on or about the 15th workday of the month
 - September 533 includes August actual and an estimate of the September costs

- Late September, the prime contractor incurs costs due to a task order change for which the expense is just being billed by the sub-contractor assigned to the task.

October (FY 2011)

- The contractor submits its 533 on or about the 15th workday of the month
 - October 533 includes September actual and an estimate of the October costs

Issue: September actual costs are higher than the accrued estimated cost due to the task order change directed by the government.

Question: How does the Center fund cost over obligation in this example?

In the above-referenced example, if an upward obligation adjustment on expired funds greater than 10% or \$500.00, whichever is lower, is required, the Center will need to follow the procedures currently in place to obtain additional funding in order to apply cost against expenses incurred in the year that the appropriation was available for commitment. See Appendix A, attached hereto, for process flow documentation.

Utilities – Deemed Severable

Example A:

- Center collaborates with its facilities management to get revised estimates 2-3 times a year, depending on market changes, contractual changes, etc.

September (FY 2010)

- The Center incurs expense as it consumes the utility (water, gas, electric, etc)
- The Center budget analyst communicates with its Facilities management to ensure adequate obligations are in place to cover September expense
- Mid-month Center budget analysts send cost estimates for *each* utility to Center cost analyst
 - Based on actual invoice amounts from the prior months, the cost estimates sent to Finance are adjusted compared to the estimate received from Facilities to avoid over/under costing.

October (FY 2011)

- The NSSC receives the utility bills for the Center's September consumption

Issue: September consumption is *higher* than the best guesstimate that was performed by the Center budget analyst, and additional obligations are needed to cover Center cost.

Question: How does the Center fund cost over obligation in this example?

In the above-referenced example, if an upward obligation adjustment on expired funds greater than 10% or \$500.00, whichever is lower, is required, the Center will need to follow the procedures currently in place to obtain additional funding in order to apply cost against expenses incurred in the year that the appropriation was available for commitment. See Appendix A, attached hereto, for process flow documentation.

Appendix A

