



# Equipment Management Newsletter

From the Logistics Management Division

FY-13, Issue 1

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Welcome. This newsletter is brought to you by the Logistics Management Division (LMD). Its purpose is to keep you abreast of the latest business practices, and to share information of current management initiatives and events promoted by the equipment management program. It also introduces interim policy letters, which shall be incorporated in forthcoming updates of NASA Procedural Directives and Procedural Requirements.

## The Formal Review of NPD 4200.1 in NODIS

The NPD has been forwarded through the appropriate channels for its formal review in NODIS. All stakeholders will have the opportunity to further comment on the impending policy changes that have been the subject of discussion by Equipment Managers and SEMOs. The primary changes to NPD 4200.1B are noted below:

1. The NPD establishes internal controls over the management of NASA-owned equipment from acquisition throughout its useful life until it is reported as excess **and accepted** in the Agency's disposal system, DSPL.
2. Among the controlled equipment that shall be recorded in the NASA PP&E system:

*continued on page 2*

## Result of the Agency Physical Inventory Campaign

*The Agency Loss Rate is 0.46% in FY-12.*

The wall-to-wall physical inventory campaign is a management tool for record validation, and the result of the inventory measures how well the Agency manages its property, meaning that the equipment is where it is supposed to be under the use, or custody, of the assigned person according to the system of record.

The Agency conducts wall-to-wall physical inventories each fiscal year starting in FY-13. The formula to calculate loss rates has not changed. At the beginning of each fiscal year (October 1<sup>st</sup>), the Center loss rate is calculated by dividing the number of net lost items during the fiscal year by the center's equipment density at the end of the fiscal year (after capturing additions, e.g., new acquisitions, equipment gains through transfers, etc, and equipment deletions, e.g., equipment turn-ins, losses via transfers-out, etc).

Although it is not a good indicator of proper equipment management control and performance, center equipment recoveries are taken in consideration when calculating center loss rates. Net loss is the number of equipment items initially reported as lost in a fiscal year minus the number of equipment items later recovered and accountability reestablished within the same fiscal year.

In consequence, the formula to obtain net loss rates is the number of net losses in a fiscal year, divided by the quantity on hand at the end of the fiscal year, expressed as a percentage.

### # Equipment Reported as Lost - # Equipment Recoveries = Net Equipment Losses

The loss rate information displayed in bReady is the **net loss rate**. Equipment loss rates are briefed to all

*continued on page 3*

## INSIDE THIS ISSUE

- 1 Result of the Agency Physical Inventory Campaign
- 1 The Formal Review of NPD 4200.1 in NODIS
- 4 FreeCycle at NASA
- 5 What to Expect During a CCR Visit
- 5 Real, Personal, or Related Personal Property?
- 8 Auditors Notification of Findings,2012-PPE-06

**Rolling Stock** – any item that regardless of its acquisition cost is subject to the assignment of a NASA license plate. An ECN shall be assigned to the equipment and the equipment added to the PP&E system prior to the assignment of a NASA license plate.

**Exhibit and Display Items** – NASA property that because of its significance (e.g., artifact designation, sensitive status, or equipment controlled value exceeding 5K) has been identified for display at a center, or as a rotational exhibit item in the NASA Exhibits Loan Program. These items do not include banners, display cabinets, or expendable category items

**Loaned or Leased Equipment to NASA** – equipment provided by an external entity and in possession and custody of NASA for more than 60 calendar days.

**Constructed, manufactured, or fabricated equipment**, that when complete, meets the controlled criteria.

**Foreign gifts to NASA or to NASA employees** exceeding the retail value at the time of acceptance or “Consumer Price Index Minimal Value,” currently \$350, prescribed by the Administrator, U.S. General Services Administration (GSA).

**Specialized shipping containers** or other items that regardless of acquisition cost are determined to be controlled by the SEMO and approved by HQ, LMD.

3. **Administratively Controlled Equipment** is NASA equipment having an acquisition cost of less than \$5,000 that is managed using local procedures established by the SEMO to ensure property accountability and prevent fraud, waste and misuse. This category excludes sensitive items, and items identified for display in the NASA Exhibits Loan Program, which are required to be tracked in the PP&E system.

4. NASA Centers shall complete a 100 percent wall-to-wall physical inventory of all NASA-held equipment each fiscal year, and initiate applicable survey reports and found on station (FOS) reports to resolve discrepancies in NASA’s property system before the end of the fiscal year.

5. The introduction of Discrepancy Management: (1) Loss Management and (2) Overage Management. IT losses shall also be reported in accordance with NPR 2810.1 (Security of Information Technology)

Introduction of the term Survey Review Board (SRB)

The end user or responsible person shall initiate and submit the NF-598 to the Property Custodian for processing within 3 business days of discovery of the loss.

Centers shall process an NF-598, from initiation to adjudication, within 48 business days from initiation date.

Center Directors shall designate a Survey Officer and SRB in writing. The SRB consists of at least four senior managers, one of whom shall be designated as the SRB Chairperson.

SEMOs are board members in an advisory capacity.

The SRB shall complete board proceedings within 20 business days from receipt of NF-598.

An annual Loss Trend Analysis shall be conducted by the Center SEMO identifying recurring causes for equipment losses, both reported and accepted by the SRB and the number of recommendations to hold individuals accountable.

An annual Overage Trend Analysis shall be conducted by the SEMO identifying recurring causes of equipment overages.

6. **All equipment loans** shall be processed using NF-893, NASA Equipment Loans.

All loans shall be approved by a NASA Civil Servant, not lower than the level of Division Director.

The period of the loan request shall be clearly defined and not to exceed 4 years

The SEMO shall not be designated as the loan approving official.

A loan extension can be granted for a period not exceeding 1 year. A loan can be extended no more than two times.

All loans of NASA equipment in support of Space Act Agreements, Commercial Space Launch Agreements, Cooperative Research and Development Agreements, or other similar alternative procurement methods, shall be submitted to HQ, LMD for review prior to execution.

Export Control Administrators shall review loans to Non-U.S. entities for appropriateness with regard to International Traffic in Arms Regulations (ITAR) restrictions.

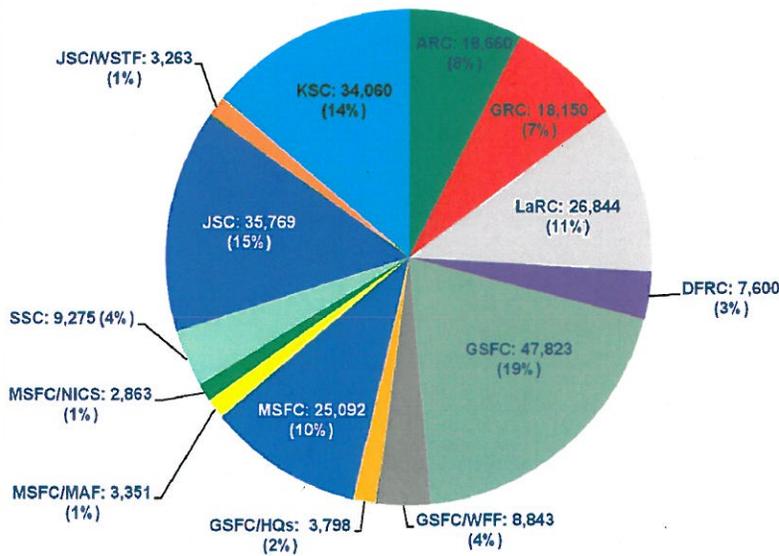
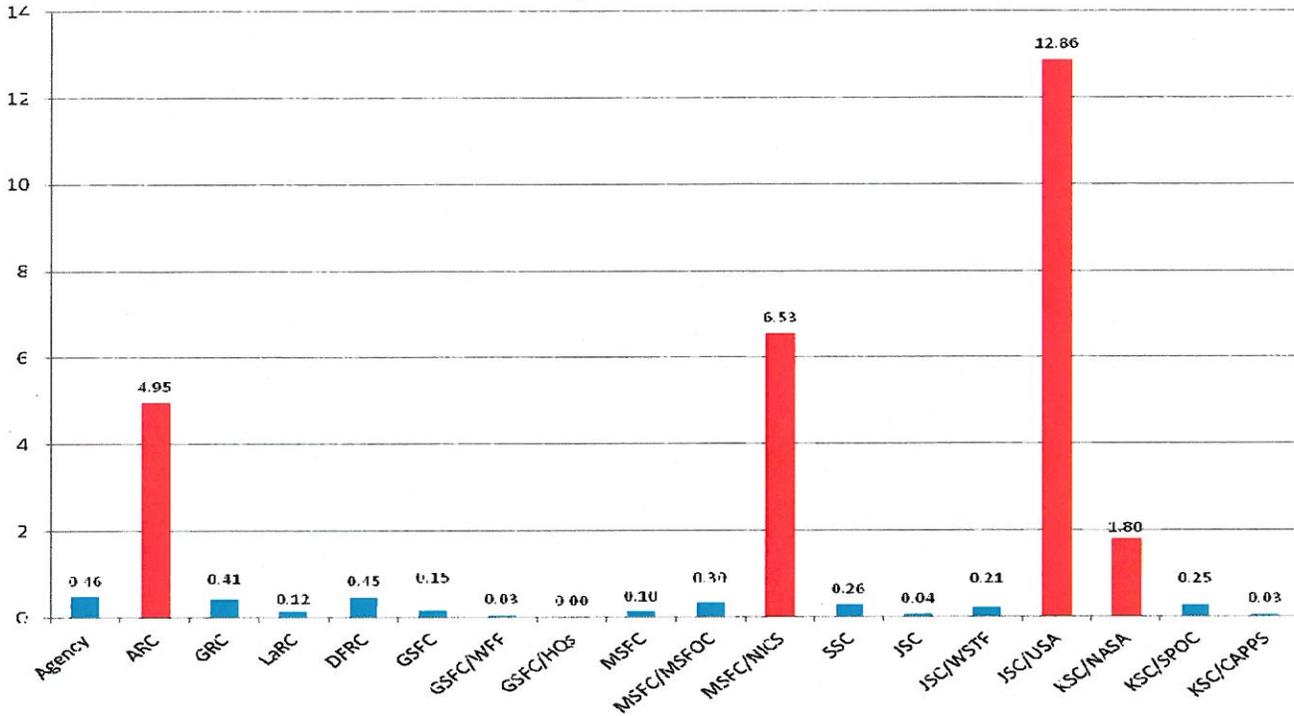
NASA HQ Office of International and Interagency

levels of management at different forums. Net losses henceforth referred as **losses**, are automatically calculated at the start of the new fiscal year.

$$\text{Loss Rate} = (\text{Net Losses}/\text{On Hand}) \times 100$$

In the past, centers had the option to conduct either annual or triennial inventory campaigns. In this instance, to determine loss rates for centers that conducted triennial inventory campaigns, it was also necessary to determine the cumulative number of equipment losses for the three years that took these centers to complete their inventory, and divide the cumulative number of losses by the equipment on hand balance at the end of the third year.

The chart below depicts center and sub-installation loss rates at the conclusion of their 100% physical inventory campaign:



Present mission requirements are causing the increase, or decrease, of equipment on hand balances at centers and sub-installations. The chart on page 4 represents center equipment densities and their percentage compared to Agency totals for NASA-held equipment as of October 1, 2012.

For instance, you will notice that Goddard's umbrella consists of HQs (2%), Wallops (4%), and GSFC (19%) for a total of 25% of the Agency's equipment population. ■

## Freecycle at NASA

I would like to take this opportunity to introduce an innovative resource to the property community that can be used to recycle & reuse unwanted office supplies. This concept is new, it is offered to NASA employees for "free," and it can be utilized by civil servants as well as NASA contractors for office use only.

FreeCycle is a web based innovative government property reutilization tool that allows users to obtain and/or to donate reusable supplies free of charge. This is a way to find reutilize office supplies that might otherwise go into the trash, and ultimately to the landfills.

Additionally, in October 5, 2009, President Obama signed into law Executive Order 13514: "Federal Leadership in Environmental, Energy, and Economic Performance," which requires Federal agencies to divert 50% of waste from the landfill by 2015. Freecycle@Work is a way for all of us to help NASA adhere to and achieve this important goal.

FreeCycle is endorsed by NASA's CIO, the General Counsel, and Logistics Organizations for Agency application, it is cost free, it is user friendly, and it is extremely useful. Freecycle requires the readers' assistance to bring awareness of its existence to their organizations. Individuals must be registered members of the NASA group on Freecycle@Work to take advantage of its features.

This program gives employees the benefits of advertising or requesting unwanted office items that are no longer used or wanted (e.g., stapler, highlighters, binders, etc.); all you need to do is post the item on the website. Please follow the below link to the website:

<http://freecycle.nasa.gov>

Please pass this information on to all of your organizations to benefit from using this reutilization tool. To support the goal and intention of this program, please follow the rules below which indicate that only office items can be exchanged and only for use at work. Follow the instructions listed below to register in the program. The instructions are also found at the aforementioned web link.

1. Go to <http://quickbase.intuit.com/freecycle>
2. Use your "@nasa.gov" Email account to sign up. This will automatically group you with all other NASA users. The NASA Email account is the only way to be linked together as an organization.
3. You will receive a confirmation Email. Click on the link

provided in the body of the Email and sign-in to the application

4. Once logged in , click the "Edit Your Profile" and set your "Location" to the NASA Center where you work. Click "SAVE" to accept the changes. It is important to indicate your correct location because you want to exchange items primarily with other members at your Center to eliminate any shipping costs.

5. Upon successful registration, you may proceed to post unwanted items. You may "offer" items you no longer need, as well as obtain offered items from other individuals. An additional feature of this application is that you may post a "wanted" ad for items sought by you or your organization.

### **Please observe the following rules:**

Only list items from work to be used at work. All posting should be for official government use only. Once received all items must stay at work. Keep in mind, this site have moderators and we are aware of what each person posts to the site.

**DO** post expendable items. Freecycle@Work is really about expendable supplies (primarily office supplies), like pencils, notebooks, whiteboards, etc.

**DO NOT** post Controlled Equipment. (e.g., items that have a silver decal, or tag, with a barcode and some indication that the item is the property of the U.S. Government, or the property of some commercial organization, see samples below). Among controlled items are computers, printers, scientific equipment, etc. There are instances in which controlled equipment may not have a property tag attached; therefore, when in doubt, please contact your respective property custodian. Or, you may also contact your Center SEMO or Equipment Manager.



Enjoy this new reutilization approach offered by NASA. If you have any questions, please contact Darlene Boykins at (202) 358-4743, or Email:

[Darlene.y.boykins@nasa.gov](mailto:Darlene.y.boykins@nasa.gov) ■

## WHAT TO EXPECT DURING A CCR VISIT

The Compensating Controls Review Program has completed a full cycle visiting Centers and Sub-installations across the Agency. As the Agency approaches the initiation of a new cycle, I would like to share with the Equipment Management community my primary focus in preparation for the visit and during the review.

During the CCR in-brief meeting, the Equipment Management presentation mainly consists of a Power Point presentation providing the current status of the Center's equipment density compared to Agency totals. It provides details of Capital and Non-Capital equipment, as well as Center percentages of Sensitive Items, equipment loss rates, and recovered equipment items for the current and preceding 3 years.

The following reports are generated from the Business Warehouse database in preparation for the review.

These reports are analyzed to identify inaccuracies in the database that could represent symptoms of non-compliance with NASA policy requirements:

*In-transit Report* – this report provides information of incomplete Center to Center transfers and their initiation dates.

*Out Status Report* – this report is generated to gather information of equipment in loan status, loan expiration dates, as well as equipment in maintenance facilities and other details.

*General Equipment Report* – which provides general catalog information, the "date of the last inventory," and the identification of potential inconsistencies in the database. This report also lists equipment in storage, its storage location, and corresponding storage periods. The equipment listed on NF-892 (Property Pass) to employees is also validated.

*Property Custodian Report (and the equipment assigned to each Property Custodian)* – this report provides an assessment of the number of property custodians designated by Division Directors, and the distribution of the Center's equipment among them.

*Capital Equipment Report* – this report is compared to the Asset Master Record (AMR) finance report provided by the Center Finance Office (Property Accountant) to identify database inaccuracies in preparation for the annual financial audit.

In addition to the reports generated from BW, the Center equipment density is subject to an automated random statistical formula to obtain a sample equipment population, which is provided to the SEMO

upon arrival, for the execution of a physical inventory validation during the visit.

I have briefly described the reports generated in preparation to the CCR visit. Let me add that one of the areas evaluated for compliance with Agency policy is the Survey Review process. This evaluation is achieved via an on-site interview to the Center Survey Officer and by selecting a random sample of Survey Reports processed by the Center. The sample is analyzed to identify potential root causes for losses at the Center.

The Exhibits Manager is also interviewed to assess the application of equipment management policies in the exhibits program. Additionally, exhibit items at the Center are validated against the equipment database for accuracy.

I shall stress that the review of Equipment Management during the CCR visit is not limited to the aforementioned activities before and during the review. A complete review is accomplished to evaluate Center compliance with the Agency's policies and procedures outlined in governing NPD and NPR. ■

## Real, Personal, or Related Personal Property?

We continue to receive inquiries related to Real, Personal, and Related personal property. There are instances across NASA organizations in which personal property (equipment and supplies) is acquired with the intention to be affixed to real property assets (facilities), and is mistakenly recorded in the PP&E system as fully functional equipment with individual Equipment Control Numbers (ECN) assigned to them. These facilities are later subject to inactivation and disposal actions resulting in accountability challenges for the equipment management community when these "equipment items" are destroyed or disposed through real property processes.

Equipment items that are affixed to the structure of the facility and which become part of the physical capability of the facility **should not** be recorded in the PP&E system as controlled items. These items are considered to be related personal property and are governed by the real property regulations within the Federal Management Regulations. As a result, they should be reported to the Center Real Property Officer who will determine if or how the addition to the real property should be recorded within the real property records.

The following paragraphs provide information intended to clarify this topic, and to assist you resolve some of the associated challenges you face in a daily basis.

The following is an extract from the Federal Management Regulation (FMR):

**Federal Management Regulation (Subchapter C, Part 102-71-General)**

**§102-71.20- What definitions apply to GSA's real property policies?**

**"Real property" means:**

(1) Any interest in land, together with the improvements, **structures, and fixtures** located thereon (**including prefabricated movable structures, such as Butler-type storage warehouses and Quonset huts, and house trailers with or without undercarriages**), and appurtenances thereto, under the control of any Federal agency, except—

(i) The public domain;

(ii) Lands reserved or dedicated for national forest or national park purposes;

(iii) Minerals in lands or portions of lands withdrawn or reserved from the public domain that the Secretary of the Interior determines are suitable for disposition under the public land mining and mineral leasing laws;

(iv) Lands withdrawn or reserved from the public domain but not including lands or portions of lands so withdrawn or reserved that the Secretary of the Interior, with the concurrence of the Administrator of General Services, determines are not suitable for return to the public domain for disposition under the general public land laws because such lands are substantially changed in character by improvements or otherwise; and

(v) Crops when designated by such agency for disposition by severance and removal from the land.

(2) Improvements of any kind, **structures, and fixtures** under the control of any Federal agency when designated by such agency for disposition without the underlying land (including such as may be located on the public domain, on lands withdrawn or reserved from the public domain, on lands reserved or dedicated for national forest or national park purposes, or on lands that are not owned by the United States) excluding, however, prefabricated movable structures, such as Butler-type storage warehouses and Quonset huts, and house trailers (with or without undercarriages).

(3) Standing timber and embedded gravel, sand, or stone under the control of any Federal agency, whether designated by such agency for disposition with the land or by severance and removal from the land, excluding timber felled, and gravel, sand, or stone excavated by or

for the government prior to disposition.

**"Related personal property"** means any personal property—

(1) That is an integral part of real property or is related to, designed for, or specially adapted to the functional or productive capacity of the real property and the removal of which would significantly diminish the economic value of the real property (normally common use items, including but not limited to general-purpose furniture, utensils, office machines, office supplies, or general-purpose vehicles, **are not** considered to be related personal property); or (2) That is determined by the Administrator of General Services to be related to the real property.

**Designation as Personal Property**

**§102-75.160—Should prefabricated movable structures be designated real or personal property for disposition purposes?**

Prefabricated movable structures such as Butler-type storage warehouses, Quonset huts, and house trailers (with or without undercarriages) reported to GSA along with the land on which they are located may, at GSA's discretion, be designated for disposition as personal property for off-site use or as real property for disposal with the land.

**§102-75.165—Should related personal property be designated real or personal property for disposition purposes?**

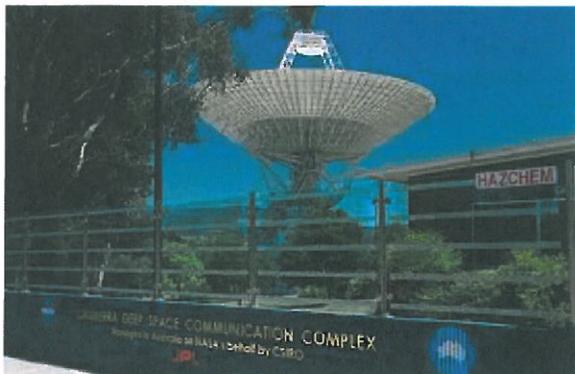
Related personal property may, at the disposal agency's discretion, be designated as personal property for disposal purposes. However, for fine artwork and sculptures, GSA's policy is that artwork specifically created for a Federal building is considered as a fixture of the building. This also applies to sculptures created for a Federal building or a public park. Disposal agencies must follow the policies and guidance for disposal of artwork and sculptures developed by the GSA Office of the Chief Architect, Center for Design Excellence and the Arts, and the Bulletin dated March 26, 1934, entitled "Legal Title to Works Produced under the Public Works of Art Project."

**§102-75.170—What happens to the related personal property in a structure scheduled for demolition?**

When a structure is to be demolished, any fixtures or related personal property therein may, at the disposal agency's discretion, be designated for disposition as personal property where a ready disposition can be

made of these items. As indicated in [102-75.165](#), particular consideration should be given to designating items having possible historical or artistic value as personal property.

NPR 8831.2 (Facilities Maintenance and Operations Management), categorizes this property as “collateral equipment” – “Encompasses building-type equipment, built-in equipment, and large, substantially affixed equipment/property and is normally acquired and installed as part of a facility project ...”



**Figure #1. 70ft Antenna at NASA Goldstone**

For instance, figure #1 shows a 70ft antenna at NASA Goldstone that serves to track asteroids in deep space, and figure #2, illustrates the facility associated to similar antennas (Deep Space Communication Complex), personnel, and other equipment in support of communication and control. The antenna is considered to be related personal property.



**Figure #2. Deep Space Communication Complex**

Racks that hold the integral computer systems and other high dollar items that serve for command and control purposes are typically “wired-in” to the facility and may also be considered related personal property. To the degree that the components are fully integrated into a

final “control unit” and that unit is part of the facility itself, it too should be considered related personal property. However, whenever components are easily removable and are capable of easy installation and operation in other “racks,” such as rack-mounted file servers, they should be considered equipment and controlled accordingly.

Let’s now discuss NASA’s definition of equipment and the definition of equipment extracted from the FMR. In accordance with Appendix A, NPR 4200.1G:

**A.29 Equipment** - A tangible asset that is **functionally complete** for its intended purpose, durable, and nonexpendable. Equipment is not intended for sale and does not ordinarily lose its identity or become a component part of another article when put into use. Equipment includes all items of NASA personal property that are configured as mechanical, electrical, or electronic machines, tools, devices, and apparatuses that have a useful life of two years or more and is not consumed or expended in an experiment.



**Figure #3. Inside the VAB**

Figure #3 depicts an orbiter and a tank being hoisted up in the Vehicle Assembly Building (VAB). In this instance, the cranes and other assembled tooling utilized to get this accomplished are considered related personal property.

Let’s observe figure #4 on the following page. Although it may resemble a structure, the massive crawler-transporter is an equipment item that serves to transport the shuttle orbiter to and from the Vehicle Assembly Building (VAB) to the launch complex.



Figure #4. Crawler Transporter

The crawler transporter is higher than a two story building with huge caterpillar treads at each of its four corners. It is 131 feet long and 114 feet wide. It weighs six million pounds. The structure rides on four double tracks, each pair the size of a Greyhound bus. Inside its huge deck are diesel engines with a total output of almost eight thousand horsepower. They drive generators that supply electric motors for the tracks, for the delicate leveling mechanism, for the cooling systems, and for other internal functions.

Equally important is real property in the contractor world. Contractors have additional classifications of property that, regardless of the contractor's offsite recordkeeping processes, may, or may not require control once delivered to a NASA center. The following definitions are from the FAR, and as such are only applicable to property provided to contractors for off-site use:

FAR Part 45.101's-Definitions, state: *"Equipment" means a tangible item that is functionally complete for its intended purpose, durable, nonexpendable, and needed for the performance of a contract. Equipment is not intended for sale, and does not ordinarily lose its identity or become a component part of another article when put into use. Equipment does not include material, real property, special test equipment or special tooling.*"

In addition, within the FAR Subpart 2.1-Definitions, we find that: "Special test equipment" means either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including foundations and similar improvements necessary for installing special test equipment, and standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. Special test equipment does not include material, special tooling, real property, and equipment items used for general testing purposes or property that with relatively minor expense can be made suitable for general purpose use.

"Special tooling" means jigs, dies, fixtures, molds, patterns, taps, gauges, and all components of these items including foundations and similar improvements necessary for installing special tooling, and which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. Special tooling does not include material, special test equipment, real property, equipment, machine tools, or similar capital items. Whenever contractors, other than construction contractors, acquire equipment for installation within NASA structure, and transfer it to the installation, the EMO should review the property to determine if it is appropriate to apply the related personal property definition within the FMR. If found to be related personal property, the SEMO should alert the center Real Property Officer as to the existence, value, and location of the property for appropriate inclusion within their records.

When a facility is identified for real property disposal action (e.g., demolition, inactivation, or custodial transfer to an outside organization) the Center SEMO, or designee, shall conduct a walk-through of the facility with the Center Real Property Accountability Officer (RPAO) to identify recoverable items that meet the controlled criteria and will remain fully functional when detached from the structure for independent use purposes. These items shall be recorded in N-PROP accordingly. ■

## Auditors Notification of Findings and Recommendation (NFR), 2012-PPE-06

The Office of Inspector General contracted an independent public accounting firm to audit NASA's financial statements in accordance with the Government Accountability Office's *Government Auditing Standards* and the Office of Management and Budget's Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements," as amended.

Per NASA Procedural Requirements (NPR) 4200.1G, NASA Equipment Management Procedural Requirements, a complete physical inventory of capital equipment shall be performed annually at each Center. During testing of NASA's Government Held (NH) Capital Equipment inventory process, the auditors noted 400 capital assets included in the Asset Accounting module within SAP that were not inventoried.

How did they determine this? ... the auditors compared the Logistics General Equipment Report provided to them on Oct 7, 2012 (based on center input), to the SAP Capital Asset Listing as of September 30, 2012 in Asset Accounting (utilizing SAP Transaction Code ZAM\_ASSET\_BAL\_MO) to verify completeness. In attempt to reconcile the two reports, the auditors excluded items from the Capital Asset Listing that were not flagged NASA Held property with a Capital Asset indicator such as Contractor Held (CH) Assets, Work in Progress (WIP), Real Property, and Internal Use Software.

The auditors noted approximately 400 additional items included in the Capital Asset Listing from SAP compared to the Logistics General Equipment Report provided by NASA's Logistics Management Division. Additionally, PwC attempted to recreate the Logistics Capital Equipment Inventory Listing by running the Display Equipment Report (SAP Transaction Code IH08). In order to recreate the inventory listing created by Logistics, PwC removed (per Logistics guidance) items flagged as Contractor Held (CH) Assets and only included items that were flagged as Capital Equipment. PwC noted over 400 additional items included in this listing compared to the listing provided by NASA.

Per the financial auditors, there are capital equipment asset included in Asset Accounting that are not included or not identified as capital equipment in NASA's logistics systems.

The auditors identified several potential causes for this:

- Equipment Master Records (EMR) and Asset Master Records (AMR) do not appear to be linked in all instances. In most cases, assets that have a child relationship with a larger system (i.e. an asset with multiple Sub Numbers) did not have an associated EMR. However, PwC noted many instances of assets without a "child" AMR that did not have an associated EMR. Additionally, PwC was unable to obtain the AMR from the EMR for approximately 500 records.
- There were noted inconsistencies with the "Capital Asset Indicator" in the Equipment Master Records. NASA appears to have included items flagged as "Capital" and "Controlled" Equipment. The Logistics Capital Equipment Inventory should only include Capital Assets, as reporting the activity of Controlled Equipment in the same inventory can misconstrue results. Inconsistencies with the Capital Asset Indicator can also cause Capital Equipment to be omitted from the inventory listing if the indicator is incorrectly flagged.
- There were Capital Assets with older capitalization dates have been omitted from the Capital Asset Inventory Listing. NASA Logistics personnel noted that not all items were transferred to the new system when the Logistics Plant Maintenance Module was implemented in May 2008.
- NASA appears to have excluded various inactive items (Asset Class 900) from the inventory listing. PwC noted that the inclusion and exclusion of these items from the inventory listing does not appear to be consistent. These items are still owned by NASA and, therefore, should still be part of the annual inventory process.
- The auditors also noted inconsistencies in the Held Flag between the Equipment Listing (SAP Transaction Code IH08) and the SAP Capital Asset Listing (SAP Transaction Code ZAM\_Asset\_Balance\_Mo). For example, there were items marked as contractor-held (CH) in the Equipment Listing and NASA-held (NH) in the Asset Listing, and vice versa.
- In addition, the auditors indicated that NASA Logistics appears to have inappropriately excluded approximately 200 Capital Assets with a \$0 book value (BV) from the Inventory Listing. These items are still owned by NASA and remain in operations. Therefore, these items should still be included as part of the annual inventory process. ■

The auditors concluded that an incomplete Logistics Capital Equipment Inventory Listing results in capital assets not being inventoried during the fiscal year. Consequently this increases the risk that damaged, destroyed, or stolen capital equipment items will not be reflected in NASA's accounting records.

**The Auditors' Recommendations include:**

1. Coordinate with the Office of the Chief Financial Officer's Property Branch to ensure that the Equipment Master Records agree to the corresponding Asset Master Records. Specifically, NASA should ensure the Held Flag, Capital Asset Indicator, and Inactive Flag are reconciled to the Asset Master Records. Furthermore, NASA should ensure that each and every capital asset AMR (including sub-assets) is linked to an EMR.
2. Adds all assets still used in NASA operations that were not included in the Plant Maintenance Module when the new system was converted back into the Equipment Records.
3. Include items in the 900 Asset class into the annual inventory, as well as assets with a \$0 net book value.
4. After performing the procedures listed above, ensure the Logistics General Equipment Report used to inventory Capital Assets is pulled using the correct parameters. Specifically, avoid excluding any items that are flagged as a NH with a Capital Asset indicator.

**NASA HQ Logistics Partially Concurred with the findings.**

In response to Recommendation #1: HQ Logistics will provide written correspondence to center supply and equipment management personnel. The correspondence will remind them of the NPR 4200.1, paragraph 1.2.4.13 and 1.2.4.16 requirements to work with financial management personnel to reconcile physical inventory results with property record and to perform a regular review of the SAP Generated EMR/AMR Integration Report.

The guidance will require that the Center Supply and Equipment Management Officer consult with the Center Property Accountant and that both concur in the efficacy of the report. The goals of the report's review will be to assure that equipment which meets the requirement for control and the criteria for capitalization is recorded, as such, in both the financial and property systems.

In like manner, property that does not meet the definition of equipment or does not meet capitalization criteria will be excluded from the EMR and/or the AMR records as appropriate.

Further, to reinforce this action, HQ Logistics will review the records of Center Logistics operations during our Compensating Control reviews in order to assess compliance with these requirements. We recommend that HQ Finance provide similar guidance to Center accounting personnel and perform a similar review to assure that the Center Property accountants are participating in the activity, in accordance with NPR 9250.1, paragraph 1.6.3.d.

Headquarters Logistics does not set the systems flags for NASA Held (NH), nor do we set the flag for Inactive. In some cases, the inactive flag is automatically initiated by the system, due to a property disposition transaction. In addition, the decision to capitalize an item is guided by financial regulation (NPR 9250.1). NPR 4200 requires creation of an EMR for any property meeting the definition of equipment and having a value greater than \$5,000. However, the decision to set the capitalization flag should fall within the purview of the CFO and DCFO personnel, in order to assure a correct assignment of capitalization criteria.

In response to Recommendation #2: The review and reconciliation of the EMR/AMR Integration report, discussed above, will require an examination of the additional AMR records to determine whether or not the items meet the definition of equipment and should be included in the EMR. These items should only be added to the EMR when supporting documentation for the record in the AMR shows that the items meet the definition of equipment; other criteria for recordkeeping within the EMR; and the physical existence of the item can be ascertained. It is possible that some of these items, particularly the older ones have been appropriately dispositioned, and the equipment management records retired, prior to conversion to the new system.

In response to Recommendation #3: As stated in our response to Recommendation 1 and 2, our instructions to the Center SEMOs will direct them to include items in the equipment records when: the items meet the definition of equipment; the items meet other criteria for equipment recordkeeping defined by the applicable sections of NPR 4200.1; and after the physical location

## CALENDAR OF EVENTS

### VITS/WEBEX TRAINING

Monday, January 14<sup>th</sup>, 2013.  
12:30pm – 2:30pm EST

Save the date. The Logistics Management Division coordinated a presentation on highly discussed topics to be provided by James Dieter. Mr. Dieter is the President of Sunflower Systems and has agreed to provide insights on the following equipment management topics:

- An overview/update of ISO 55000
- Asset Lifecycle
- General info on ASTM standards
- Training on a specific ASTM standard: The Equipment Control Matrix (ECM)
- The Value from Asset Management

Additional information will be provide as we approach the date of the training

of the items is determined.

NASA guidance requires that annual physical inventory verifications be performed for all capital equipment. Net book value recorded in the AMR is not a factor.

In response to Recommendation #4: During fiscal year 2012, NASA performed a physical inventory verification of all capital equipment, based on the equipment master records. As stated within our response to recommendation #3, the intent of our guidance is to obtain physical inventory verification for any Capital equipment recorded in the EMR, regardless of the capital equipment indicator in the AMR. Ultimately, review and reconciliation of the AMR/EMR Integration report should eliminate discrepancies between the two records.

The audit resulted in an unqualified opinion on NASA's fiscal year (FY) 2012 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the Agency's operations in conformity with U.S. generally accepted accounting principles.

The aforementioned is the summary of the constant interaction between the equipment management community and the auditors during the latest audit. I thank the SEMOs, Equipment Managers, and the equipment management community across the Agency, for expeditiously providing responses during the recent data calls to meet auditors' requirements. In particular SSC, JSC, and MSFC for resolving last minute challenges and for their assistance in elaborating a response to auditors' queries. ■

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*<http://Uid.hg.nasa.gov/egupmgt.html>*

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