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FMM 9251 GENERAL

9251-1 PURPOSE

This chapter provides guidance on NASA's property, plant and equipment (PP&E) accounting policies and procedures, developed in accordance with Federal Property Management Regulations (FPMR) and Statements of Federal Financial Accounting Standards (SFFAS). These policies and procedures ensure effective financial control over NASA-owned PP&E. When accounting treatment for specific circumstances is not discussed in this chapter, reference should be made to SFFAS Number 3, "Accounting for Inventory and Related Property," SFFAS Number 6, "Accounting for Property, Plant and Equipment" (as amended by SFFAS Numbers 11 and 16), SFFAS Number 8, "Supplementary Stewardship Accounting" (as amended by SFFAS Numbers 11 and 16)," and SFFAS Number 10, "Accounting for Internal Use Software," for guidance.

9251-2 POLICY AND PROCEDURES

a. DEFINITION. PP&E is defined by SFFAS Number 6 as:

"Tangible assets that (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available for use by the entity."

Definitions of other terms used in this chapter are contained in FMM 9020.

b. GENERAL LEDGER CONTROL. Accounting transactions affecting NASA-owned PP&E, whether NASA or contractor-held, shall be recorded in general ledger asset accounts using fund HSFP01995D in accordance with procedures contained in this chapter and FMM 9220. SFFAS' provide for two types of PP&E: general and stewardship. PP&E used in providing goods and services are general. Stewardship PP&E consists of items whose physical properties resemble those of general PP&E, but their nature differs in that their values may be indeterminable or have little meaning or that allocating the cost of such assets (depreciation) to accounting periods is meaningless. The only type of stewardship PP&E owned by NASA are heritage assets, which are unique because of their historical or natural significance, cultural, educational or artistic importance, or significant architectural characteristics.

c. DEPRECIATION. In accordance with SFFAS Number 6 and OMB directives on the "Form and Content of Agency Financial Statements," NASA's financial statements reflect depreciation for its capital assets. Information is collected from NASA databases and contractors and analyzed to calculate depreciation, using the straight-line depreciation method. Depreciation expense is recognized on capitalized general PP&E, except land and land rights of unlimited duration. Depreciation expense for NASA's statements is calculated and accounted for by Headquarters, Code BFE.

Depreciation is also a component of full cost charges for reimbursable and other customer agreements (see the cost principles at FMM 9091-5c.).

d. CAPITALIZATION.

(1) Criteria. NASA will capitalize individual items of PP&E which:

(a) have a unit acquisition cost of $100,000 or more;

(b) have an estimated useful life of two years or more;

(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.

These criteria apply to all PP&E, including modifications, improvements, etc.

Dollar threshold for physical accountability differ from the capitalization criteria for financial accountability. Policy regarding physical accountability for 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 (NPG 8800.15_), Policy for Real Property Management (NPD 8800.14), NASA Equipment Management Manual (NPG 4200.1_), and Federal Acquisition Regulation, Part 45, respectively.

If an item, as originally installed, is an aggregate of components which <u>could stand alone</u> (as opposed to parts) and <u>are severable</u>, those components should be individually subjected to the capitalization criteria and only those components which meet the criteria should be originally capitalized. If an item, as originally installed, is an aggregate of components which <u>could not stand alone</u> and <u>are not severable</u> (see collateral and non-collateral equipment at FMM 9251-2d.(3)), those components should be subjected to the capitalization criteria in aggregate.

(2) Values. Capitalized values shall include all costs incurred to bring 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 PP&E capitalized:

(a) amounts paid to vendors or contractors, including fees;

(b) transportation charges to the point of initial use;

(c) handling and storage charges;

(d) labor and other direct or indirect production costs (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, including depreciation (per FMM 9091-5c.);

(h) fixed equipment and related costs of installation required for activities in a building or facility;

(i) direct costs of inspection, supervision, and administration of construction contracts and construction work, including civil service costs;

(j) legal and recording fees and damage claims;

(k) fair values of facilities and equipment donated to the Government, and

(l) material amounts of interest costs paid.

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 acquisition cost, including the amount received for the trade-in.

Capitalized value will be net of discounts taken.

(3) Collateral and non-collateral equipment. 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 be original facility construction or modification. Such a project is considered a single event (see FMM 9252-2a). 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 FMM 9251-2d(1). 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 FMM 9251-2d. (4) and (5)).

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 1750.0100, Government Owned Government Held Other Equipment.

(4) Capital Improvements. Capital Improvements are modifications to existing PP&E which cost $100,000 or more and 1) extend its useful life by two years or more or 2) enlarge or improve its capacity or otherwise upgrade it to serve needs different from, or significantly greater than, those originally intended. Capital Improvements are capitalized.

Where a replacement occurs due to a capital improvement, the accounts should be appropriately adjusted to remove the values of items replaced (where those 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 (i.e., removal of an item's recorded cost, not the cost to remove an item) should be treated separately from any additions or replacements. Replacements due to maintenance will be expensed (see FMM 9251-2d(5)).

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 (see FMM 9252-2a).

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.

(5) Maintenance. Maintenance is the act of keeping assets in useable condition, including preventive maintenance, normal repairs, replacement of parts and structural components (such as a roof) 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. Maintenance activities shall be expensed.

(6) Transfers and Donations. See also FMM 9257 regarding transfers. PP&E transferred from other entities shall be recorded in NASA's accounts at the amount of reimbursement to the transferor, if it meets the capitalization criteria in d. (1), above. When no reimbursement is made, the amount recorded shall be the acquisition cost recorded by the transferor, if the capitalization criteria are met. If the value cannot be reasonably ascertained when no reimbursement is made the PP&E shall be recorded at its fair value at the time of transfer. The date the transferor originally acquired the PP&E 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.

PP&E 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 as previously maintained in the books of the transferring Center. The transfer of capitalized PP&E to other Federal agencies or outside entities will be recorded as a reduction to the asset accounts for the recorded value of the asset(s).

PP&E acquired by donation, devise (bequeath), forfeiture, or confiscation which meets the capitalization criteria will be recorded in the appropriate asset account at estimated fair value at the time acquired by NASA.

(7) Timing. SFFAS Number 6 specifies requirements for recognition of PP&E. PP&E shall be capitalized when title passes to NASA. Title shall be considered to be passed when a cognizant 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 construction work in progress until it is accepted to be placed in service by NASA, at which time the balance will be transferred to general PP&E. The cognizant 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 the acceptance. Capitalization of construction 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 the timing of capitalization criteria are capitalized regardless of whether there are costs remaining to be paid. However, all appropriate costs (as defined in 9251-2d.(2)), including any unpaid vouchers remaining 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. Additional guidance is provided in FMM 9252-4. Capitalization of lease-purchase contracts is addressed in FMM 9256.

(8) Software. All internal use software, whether it is commercial off-the-shelf (COTS), contractor-developed, or internally developed, which meets the capitalization criteria in FMM 9258. is subject to the provisions of SFFAS Number 11 and its cost shall be capitalized when accepted in accordance with FMM 9258. When such software is integrated into and necessary to operate general PP&E, rather than perform an application, however, it is considered part of the PP&E of which it is an integral part and capitalized and depreciated accordingly. In these cases, the aggregate cost of the PP&E and software is used to determine whether the item meets the dollar threshold for capitalization.

e. PP&E NOT IN USE. SFFAS Number 6 requires that general PP&E, which no longer provides service in the operations of the entity, be removed from the accounts. For NASA-held equipment, any capital assets identified as not in use shall be promptly removed from the asset accounts. Inactive real property coded in the NASA Real Property Database (NRPDB) as inactive or not in use by NASA, including Reimbursable, Stand-by, Mothballed, Abandoned, and Demolished will also be promptly removed from the capitalized PP&E accounts. Whenever NASA returns such property to active use, it will be returned to capitalized status at the capitalized value when it was removed, plus the value of any modifications of $100,000 or more made to return it to active status. Contractors are required to provide data on the values of contractor-held PP&E not in use on the annual NF 1018, Property in the Custody of Contractors. These data are used to remove the value of contractor-held PP&E not in use from NASA's asset accounts.

f. **BORROWED OR LOANED PP&E.** PP& E borrowed (loaned-in) from other organizations is not recorded in NASA's financial records. PP&E loaned (loaned-out) to other organizations without transfer of title no longer provides service in NASA's operations and shall be removed from the accounts in accordance with FMM 9251-2e. above.

g. **HERITAGE ASSETS.** SFFAS Number 8 establish standards for reporting on heritage assets as required supplementary stewardship information. Heritage assets are PP&E that are unique because they have 1) historical or natural significance, 2) cultural, educational or artistic importance, or 3) significant architectural characteristics. These assets are reported in terms of physical units rather than cost or monetary value and are not recorded in the asset accounts. Costs of improving, reconstructing or renovating heritage assets shall be expensed in the period incurred.

Heritage assets used to serve both heritage and government operations functions are considered multi-use heritage assets if the predominant use is in general government operations. Multi-use heritage assets are general PP&E and costs of acquisition, betterment, or reconstruction shall be capitalized and depreciated.

When capitalized assets are identified as heritage assets by a Center, their values shall be removed from the asset accounts and a copy of the Journal Voucher for the transaction shall be forwarded to Headquarters, Code BFE, for retention as documentation for the preparation of the annual required supplementary stewardship information accompanying the financial statements. Removal of real property from the asset accounts as heritage assets shall be coordinated with the Real Property Accountable Officer, to ensure that the NASA Real Property Inventory also reflects the heritage status of the property.

Should a heritage asset be acquired or constructed, the cost shall be recognized as an expense (Cost of Heritage Assets) in the period incurred. Headquarters, Code BFE, should be notified of the asset by memorandum for retention as documentation for the preparation of the annual required supplementary stewardship information accompanying the financial statements. The Real Property Accountable Officer shall be notified of the acquisition of any real property heritage asset to ensure the necessary data is recorded in the NASA Real Property Inventory in accordance with NPG 8800.15.

Contractors will be required to provide information on heritage assets in their possession in their annual NF 1018, Property in the Custody of Contractors.

9251-3 RESPONSIBILITIES

Center Chief Financial Officers and Deputy Chief Financial Officers, Finance (DCFO (F)s), 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. They are also responsible for maintaining close liaison with property management and other personnel concerned with property to provide assurance that values reported are accurate.

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), respectively. A reconciliation will be performed quarterly. Reconciliations should be documented and workpapers maintained in a file for review by auditors and submission to Headquarters as part of the Quality Assurance Evaluation (QAE) process.

FMM 9252 REAL PROPERTY

9252-1 PURPOSE

This section prescribes accounting policies and procedures for NASA-owned and held real property.

9252-2 FINANCIAL CONTROLS

a. Each real property acquisition, addition, improvement, alteration, rehabilitation or replacement that meets the criteria in 9251-2d. will be treated as a single event and all costs incurred in relation to that event, regardless of when they are paid, will be recorded in general ledger accounts listed in 9252-3 The total cost of each single event should be used to determine whether it meets the capitalization criterion in FMM 9251-2d.(1), regardless of when payment was made. For example, 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. Similarly, 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). The total cost of a project, e.g., a building, will be considered a single event regardless of whether the work was performed on multiple contracts.

b. Real property accounts will be maintained at a summary level to simplify reconciliation with amounts recorded in detailed property records. Accounting records should not duplicate detailed property records maintained by Real Property Accountable Officers in accordance with NPG 8800.15. NASA's capitalization criteria (FMM 9251-2d.) differ from recording thresholds used for real property management. To insure adequate internal control, the Deputy Chief Financial Officer, Finance (DCFO (F)) shall ensure independent control of the data in the accounting system.

c. Reconciliation's will be performed in accordance with FMM 9251-3. Resulting adjustments to either set of records should be made after joint review by both the Real Property Accountable Officer and the DCFO (F).

d. 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.

9252-3 REAL PROPERTY ACCOUNTS

a. **ACCOUNTS**. Capitalized real property will be classified under the following accounts, as appropriate:

ACCOUNT	TITLE
1711.0000	Land
1712.0000	Improvements to Land
1730.0100	Buildings
1740.0100	Other Structures and Facilities
1820.0100	Leasehold Improvements

b. **CLASSIFICATION**

(1) **Land** - includes costs of land and improvements to land.

(2) **Improvements to Land –** includes the cost of nonpermanent, depreciable improvements to land used in general operations. Also includes similar cost to land subject to stewardship reporting, as well as land rights of limited duration that are associated with general operations.

(3) **Buildings** - includes costs of buildings, improvements 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.

(4) **Other Structures and Facilities** - includes 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.

(5) **Leasehold Improvements** - includes NASA-funded costs of improvements to leased 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.

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 (1730.0100) or Other Structures and Facilities (1740.0100) as appropriate.

9252-4 CONSTRUCTION WORK IN PROGRESS

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.

Costs will be recorded in accordance with FMM 9060, Accrual Accounting. 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.

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.

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., costs of repairs and maintenance are expensed and not included in work in progress, while costs of items to be capitalized (see FMM 9251-2d) are accumulated in work in progress until the asset is completed. 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.

Procedures shall ensure that the costs of facilities projects are capitalized in accordance with FMM 9251-2d. (6) and the related amounts removed from work in progress. A review of the physical completion status of individual facilities projects shall be conducted with cognizant Center real property officials sufficiently in advance of the end of the reporting period so that necessary entries can be made to properly reflect their current status.

9252-5 PROPERTY NOT IN USE

As required by SFFAS Number 6, real property not in use by NASA will be removed from the asset accounts (FMM 9251-2e). 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, including becoming Reimbursable, Stand-by, Mothballed, Abandoned or Demolished. Based upon this notice, the DCFO (F) shall remove the capitalized cost of the real property from the accounting records. The Real Property Accountable Officer shall also notify the DCFO (F) when such property is returned to active NASA use so it can be returned to capitalized status in the accounting records.

9252-6 DISPOSAL

a. When real property has been declared excess (excluding property in foreign countries) and accountability transferred to another Federal agency or 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. Proceeds from sales of surplus real property in foreign countries will be deposited to account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

b. Proceeds from the sale of surplus real property (other than property in foreign countries) will be deposited using the following procedures, until September 30, 2015.

   (1) Separately identifiable real property proceeds and other proceeds not separately identifiable from associated real property shall be deposited to the Special Fund Account 805005.2 (Land and Water Conservation Fund, Surplus Property Sales).

   (2) Proceeds from property sold, separately identifiable from real property will be deposited to account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

9252-7 QUALITY ASSURANCE PROCESSES

a. On a monthly basis, the property accountant shall enter a journal voucher for:

   The costs recorded in SAP for the Work Breakdown Structure (WBS) (or contract) for real property projects to be capitalized;

   (2) The NF 1045 vouchers (NASA Real Property Transaction Voucher) received from the Real Property Accountable Officer.

      (a) Ensure that the transaction to be capitalized is in accordance with FMM 9252-2. (Note: If transaction should not be capitalized, instruct the real property office to flag the item as “non capital” in the real property database.)

      (b) The amounts on the voucher should agree with the costs recorded in the general ledger for that project WBS. If they do not agree, document the variance explanation.

      (c) Remove amounts previously capitalized as WIP for the capitalized project. (Note: If current year costs plus amounts previously capitalized as WIP are less than the total amount to be capitalized, record a prior period adjustment (SGL account 7400.3730)).

(3) Run the FBL3N SAP Query for G/L accounts 6100.3200 – 6100.3299 for the current month, to determine if any projects incurring expenses that have not been identified by the project office should be capitalized. (Note: if any expenses were recorded to the wrong account number, notify in writing (via e-mail or hardcopy), the appropriate individual at your center. Maintain these communications.)

(4) Submit to NASA HQ, Code BFE, a listing of all real property transactions posted to the general ledger.

b. At the end of each quarter the property accountant shall meet with the real property officer or other responsible individual and document:

(1) Which projects will be complete, and thus will be capitalized;

(2) Any new projects, their Work Breakdown Structure (or Contract Number), Estimated Value to Capitalize and Estimated Completion Date;

(3) Status Update of any Ongoing Projects to identify any changes in estimated value and completion date as well as to get the real property officer's validation of the amounts recorded as work in process for these on going projects.

c. At the end of the quarter the property accountant shall run the Capitalization Reconciliation Report from the NASA Real Property Database (http://facility.hq.nasa.gov/NRPDB) and reconcile the balances to SAP Trial Balance for Fund HSFP01995D for the real property accounts.

FMM 9253 NASA-OWNED AND HELD MATERIALS

9253-1 PURPOSE

This section prescribes accounting policies and procedures for NASA-owned and held materials.

9253-2 DEFINITIONS

a. STORE STOCK (ACCOUNT 1511.0100) - Material which is held and repetitively procured, stored and issued on the basis of recurring demand; considered "operating materials and supplies" under SFFAS Number 3, "Accounting for Inventory and Related Property"

b. STAND-BY STOCK (ACCOUNT 1512.0100) - Material held for emergencies; considered "stockpile materials" under SFFAS Number 3.

c. PROGRAM STOCK (ACCOUNT 9995.0900) - Material acquired by direct purchase or issue from Stores Stock for a specific program and stored until required by the program; may be "operating materials and supplies" under SFFAS Number 3, unless acquired for use in constructing real property or assembling equipment to be used by NASA.

9253-3 RECORDING MATERIALS

Materials will be recorded at acquisition cost, which shall include all appropriate purchase and production costs incurred to bring the items to their current condition and location. Cash discounts, when taken, are credited to the appropriate cost account 6100.9997. Donated materials shall be valued at their fair value at the time of donation. Materials acquired through exchange of nonmonetary assets (e.g., barter) shall be valued at the fair value of the asset received at the time of exchange. SFFAS Number 3 provides that the first-in, first-out (FIFO); weighted average; moving average cost flow or other valuation method which approximates one of those methods be used to arrive at the acquisition cost. Each replenishment of stock through procurement or transfer will require a redetermination of the stock unit price when the weighted moving average is used.

9253-4 TIMING OF RECORDING

General ledger accounts should be updated on a monthly basis. Adjustments to the general ledger based on reconciliation's with the materials records should be recorded to coincide with month-end closeouts and the annual reporting of materials.

9253-5 FINANCIAL CONTROLS

Inventories, Government-Owned/Held accounts will be maintained in each Center's general ledger for recording of materials. Entries to the general ledger (as identified in FMM 9220) will be made on the basis of data provided by the Center Supply and Equipment Management Officer (SEMO). The Inventories, Government-Owned/Held accounts will be supported by subsidiary ledgers for each type of account.

Entries will be recorded in general ledger account 1511.0100, Inventories, Store Stock, Government-Owned/Held, 1512.0100, Inventories, Stand-by Stock, Government-Owned/Held and 9995.0900, Inventories, Program Stock, Government-Owned/Held. Detailed records maintained by the Center SEMO and the general ledger maintained by the DCFO (F) will be reconciled annually.

9253-6 ACCOUNTS AND FEDERAL SUPPLY CLASSIFICATION (FSC) GROUPS

The total of the subsidiary accounts must equal the general ledger control account 1511.0100,1512.0100,or 9995.0900. New accounts shall not be established unless approved by the Director, Financial Management Division, and Director, Logistics Management Office, NASA Headquarters.

Each subsidiary account is related to specific Federal Supply Classification (FSC) groups as shown in FMM Appendix 9121-57A, **Object Class 26XX**, Supplies and Materials.

9253-7 ACQUISITIONS, ISSUES, ADJUSTMENTS, AND RETURNS

a. ACQUISITION OF INVENTORY. Additions to stock acquired by purchase will be recorded in general ledger accounts 1511.0100, 1512.0100, or 9995.0900, in accordance with FMM 9253-3 and coded in the Center accounting system with the appropriate **26XX** object class. Additions to stock by transfer from other NASA Centers or Federal agencies will be recorded in general ledger accounts 1511.0100, 1512.0100, or 9995.0900 .

b. ISSUES. Items requisitioned from stock will be costed based upon data supplied by the Center SEMO. General ledger entries to record issuance of materials are in FMM 9220.

c. ADJUSTMENTS. Changes in material balances caused by or resulting from physical differences, errors, losses, damage and destruction, etc., will be recorded in accounts 1511.0100, 1512.0100, or 9995.0900 with offsetting entries to account 9995.0901 when Program Stock, or 7210.0100 or 7290.0000 as appropriate when Stores Stock or Stand-by Stock. Headquarters (Code BFE) may reverse this entry and process these losses as a debit to 6790.0000 if deemed immaterial. Adjustments to Stores Stock and Stand-by Stock should be reflected in appropriated fund accounts as a disbursement or a refund, as appropriate.

Financial records will be adjusted based on data provided by the Center SEMO, which reflects adjustments to the property records approved by designated officials in accordance with the NASA Materials Inventory Management Manual (NPG 4100.1_).

d. RETURNS TO STOCK. Items returned to stock for credit or without credit will be recorded in accounts 1511.0100, 1512.0100, or 9995.0900 at the lower of original or current issue price.

The return of items issued from Stores or Stand-by Stock will be recorded as a debit to 1511.0100, or 1512.0100 and a credit to 6100.8600 when a refund is given to the returning activity's appropriated fund accounts.

The return of items issued from Program Stock will be recorded as a debit to 9995.0900 with a credit to 9995.0901; no refund to the returning activity's appropriated funds will be recorded.

Credits to appropriated fund accounts for Stores or Stand-by Stock returns will not be processed when the initial activity charged cannot be determined. Returns will be recorded at a zero unit cost and the weighted moving average recalculated.

9253-8 DISPOSAL

a. EXCHANGE/SALE. When items are traded in, the value of the item traded in will be removed from the 1511.0100, 1512.0100, or 9995.0900 accounts with an offset to account 6100.8600, or 9995.0901 as appropriate. Items purchased will be recorded in the 1511.0100, 1512.0100, or 9995.0900 accounts in accordance with FMM 9253-7a. at acquisition cost, including the amount received for the trade-in. Additional guidance is provided in FMM 9254-3(a).

b. DISPOSAL. Disposal of materials will be recorded as a reduction to the appropriate accounts with offsetting entries to Account 9995.0901 for Program Stock or 7210.0100 or 7290.0000 as appropriate for Stores and Stand-by Stock. Headquarters (Code BFE) may reverse this entry and process these losses as a debit to 6790.0000 if deemed immaterial. .

9253-9 QUALITY ASSURANCE PROCEDURES

a. Monthly the property accountant shall reconcile the general ledger materials and supplies accounts with the Logistics System. If they do not agree, document the variance explanation. If amounts in NASA's logistics system need to be corrected notify in writing (via e-mail or hardcopy), the appropriate individual at your center to correct. Maintain these communications until corrected.

b. Quarterly, the property Accountant shall submit, to NASA HQ (Code BFE), the current monthly reconciliation (along with supporting documentation) the general ledger materials and supplies accounts with the Logistics System. If they do not agree, document the variance explanation. If amounts in NASA's logistics system need to be corrected notify in writing (via e-mail or hardcopy), the appropriate individual at your center to correct. Maintain these communications until corrected.

FMM 9254 NASA-OWNED AND HELD EQUIPMENT

9254-1 PURPOSE

This section prescribes accounting policies and procedures for NASA-owned and held equipment.

9254-2 FINANCIAL CONTROLS

a. Capitalized equipment costs will be recorded in general ledger control account 1750.0100, Government Owned Government Held Other Equipment.

b. The purchase of capitalized equipment will be recorded with the appropriate **31XX** object class codes in the Center's accounts (FMM 9100).

c. Financial management records will not duplicate detailed property records maintained in the NASA Equipment Management System (NEMS) by the Center SEMO in accordance with NPG 4200.1. NASA's capitalization criteria (FMM 9251-2d.) differ from thresholds used for equipment management.

Reconciliation's will be performed in accordance with FMM 9251-3.

DCFO (F)s are responsible for identifying costs to be capitalized and maintaining financial records for each capital equipment project in progress. These records are the source for entries to the general ledger work in progress accounts. Costs will be recorded in accordance with FMM 9060, Accrual Accounting, and should be included in work in progress costs where the equipment will meet the capitalization criteria in 9251-2d. Operating expenses will not be recorded as work in progress. Procedures shall ensure that the costs of equipment projects are capitalized in accordance with 9251-2d. (6) and the related amounts removed from work in progress. Special attention shall be paid to ensure their status is properly reflected as of the end of the reporting period.

9254-3 EXCHANGE/SALE

a. Similar items may be sold and the proceeds may be applied in whole or partial payment for similar item replacement property. FPMR 101-46.302 states that proceeds from sales of equipment disposed of in accordance with the exchange/sale authority in FPMR Part 101-46 must be accounted for in accordance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Procedures, Section 5.5D. The guidance provides that all proceeds from the sale of equipment and materials will be available during the fiscal year in which the property was sold and for 1 fiscal year thereafter for obligation for the purchase of replacement property.

b. The disposition of funds collected from the sale of equipment should be as follows:

   (1) If it is determined at time of collection that the funds will not be used to purchase a replacement item, the funds should be deposited to account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

   (2) If it is determined at time of collection that the funds will be used to fund the replaced item, the funds should be deposited in 80F3875 (Budget Clearing Account) and reimbursable procedures will be utilized.

   A reimbursable agreement should be established for the amount of the funds collected from sale of the equipment. This agreement funds a portion of the replacement purchase up to the amount collected from the sale of the old equipment.

   After payment is made for the equipment, the collection deposited in account 80F3875 is transferred for reimbursement to the procuring appropriation.

   The portion of the deposit account applicable to replacement purchases should be reviewed on a quarterly basis; funds exceeding time parameters in 9254-3a or otherwise identified as not being used for replacement purchases should be transferred to account 803220, General Fund Proprietary Receipts, Not Otherwise Classified.

9254-4 QUALITY ASSURANCE PROCESSES

a. On a monthly basis, the property accountant enters a journal voucher based on the Monthly NEMS Report of Transactions to Record. Analyze the backup from the Property Management Department to validate NEMS information to be recorded.

(1) The amounts of the new acquisitions should agree with the costs recorded in the general ledger for that transaction. If they do not agree, document the variance explanation.

(2) If the equipment item is for a capital lease (based on the review of the documentation), record as per FMM 9257 and notify in writing (via e-mail or hardcopy), the appropriate individual at your center to correct in NEMS. Maintain these communications until corrected.

(3) Any transactions of the NEMS report, which originally occurred in a previous fiscal year (i.e. Found on Station) should be recorded as prior period adjustments with a debit or credit to 7400.3730.

(4) Submit to NASA HQ (Code BFE) a listing of equipment transactions recorded during the month in the general ledger.

b. Run the FBL3N SAP Query for G/L account 6100.3100 (for transactions over $100,000) for the current month, to determine if any transactions that have not been identified in NEMS should be capitalized. (Note: if any expenses were recorded to the wrong account number, notify in writing (via e-mail or hardcopy), the appropriate individual at your center and maintain these communications until corrected.)

c. Review transfer documents received during the month and confirm that they were properly recorded in the general ledger. If not, notify in writing (via e-mail or hardcopy), the appropriate individual at your center and maintain these communications until corrected.

d. At the end of each quarter the property accountant should meet with the center, Supply and Equipment Management Officer (SEMO) and determine if there are any items that have been received but are not yet tagged in NEMS. Ensure that any untagged items, meeting NASA's capitalization criteria, are appropriately included in the general ledger.

e. At the end of the quarter the property accountant shall complete a reconciliation between the NEMS query of items active with those recorded in the general ledger under Fund HSFP01995D for the equipment account 1750.0100.

FMM 9255 NASA PROPERTY IN THE CUSTODY OF CONTRACTORS AND UNDER GRANTS AND COOPERATIVE AGREEMENTS

9255-1 PURPOSE

This section sets forth-accounting policies and procedures for NASA property, plant and equipment (PP&E) in the custody of contractors as well as PP&E acquired or furnished under NASA grants and cooperative agreements with educational institutions and nonprofit organizations and describes how data from contractors' records are reported and entered in NASA's accounts. NASA-owned, contractor-held PP&E used in the performance of a contract may be NASA-furnished or contractor-acquired. Part 45 of the Federal Acquisition Regulation (FAR) and Subpart 1845.71 of the NASA FAR Supplement (NFS) should be referred to for definitions and contractor reporting requirements including for property reported under cooperative agreements with commercial firms.

Property Management standards for educations and nonprofit organizations are set forth in OMB Circular A-100 and the NASA Grant and Cooperative Agreement Handbook, NPG 5800.1 (14 CFR 1260 and 1274). Other information is available on the internet at http://ifmp.nasa.gov/codeb/library/contractor_info.htm .

9255-2 FINANCIAL CONTROLS

a. SYSTEM CONTROLS. In accordance with the FAR, contractors' records are the official PP&E records of the government. NASA Form 1018, NASA Property in the Custody of Contractors, is the official document for contractor reporting of NASA's PP&E in their possession. Annually, a listing ("Inventory Report") of equipment held under a grant or cooperative agreement recipient will be submitted to the Center financial management office. NASA's financial statement account balances are updated based upon NF 1018 data and the Inventory Reports. NASA does not prescribe a system of property accounting for contractors; any system employed by a contractor, however, requires written approval by the cognizant property administrator (FAR Part 45). This process assures adequate contractor control, accuracy, and consistency in reported information. When the property administrator is a NASA employee, system approval should be closely coordinated with appropriate NASA financial personnel. When the property administrator is an employee of another government agency, it is imperative that the cognizant NASA Center's Industrial Property Officer (IPO) be informed regarding the adequacy of each contractor's system and provide guidance and assistance in correcting deficiencies when necessary.

b. REVIEW OF NF 1018'S. The Center CFO, through the DCFO (F), is responsible for ensuring that NF 1018's and Inventory Reports submitted by contractors holding major dollar values of NASA's PP&E are materially accurate. Such steps may include reviews of systems that generate NF 1018 data, interviews, questionnaires, meetings and training. The DCFO (F) shall ensure that a financial management office staff member independently reviews the Center IPO's file of contractor property system analyses, sufficiently in advance of fiscal year-end, to identify and work with contractors to correct any reported system deficiencies which might affect the timeliness or accuracy of the NF 1018 reports or Inventory Reports.

Where contractors earn fees related to building or acquiring NASA PP&E, the acquisition cost to NASA of such PP&E includes a pro-rata portion of fees earned. The NF 1018 reporting instructions in the NFS require inclusion of appropriate fees in reported asset values. Where the reported values for Special Tooling, Special Test Equipment, Agency-Peculiar Property or Contract Work in Process is $10,000,000 or more, the DCFO (F) shall verify that these NF 1018 values include fees. If they do not, the contractor shall be instructed to submit a corrected NF 1018. If necessary, the DCFO (F) shall calculate the pro-rata fee and submit a Journal Voucher and supporting documentation, with other NF 1018 data, to NASA Headquarters, Code BFB (see FMM 9255-2d. below).

NF 1018s and Inventory Reports are due from contractors on October 15. Whereas negative responses are required for NF1018s, negative Inventory Reports are not required. The DCFO (F) should work with the Contracting Officer (CO) to withhold payment from contractors who fail to submit timely NF 1018s in accordance with NFS 1852.245-73(c).

c. NF 1018/INVENTORY REPORT VALIDATION. The Center DCFO (F) shall validate NF 1018s and Inventory Reports in the NASA Form 1018 Electronic Submission System (NESS) using the checklist contained in FMM Appendix 9255-2A.

d. NASA RECORDS. The NASA general ledger control accounts for all NASA-owned, contractor-held PP&E shall be maintained by the financial management office of the cognizant contracting Center, whether or not property administration is delegated to a different NASA Center, the Department of Defense or another government agency.

FMM 9220 contains the general ledger accounts each Center shall maintain for recording NASA-owned, contractor-held PP&E transactions; subsidiary accounts shall be maintained for each contract.

e. REPORTING NF 1018/INVENTORY REPORT DATA TO HEADQUARTERS. Since the NF 1018/Inventory Report, which reports data as of September 30, is not due from contractors until October 15, general ledger balances will be included in general ledger after period 12 (13 – 16). Contra entries must be reconciled in accordance with instructions from NASA Headquarters, Code BFE.

Contractors should correct errors in previously reported ending balances by using the Balance Beginning of Period, Adjustment column (a. (2)) and explain the error in the Comments section on the NF 1018. Where a contractor reports an error in a "$100,000 & Over" category, the explanation given will be reviewed and discussed with the contractor, if necessary, to determine if an error was made to previously reported data which would effect the general ledger. If the DCFO (F) agrees that an error was made and that the balances reported in the general ledger were impacted, the Center will identify and report the necessary corrections as prior period adjustments to Code BF.

Where a contractor identifies NASA PP&E in its custody on the NF 1018 as heritage assets, the contractor's rationale will be reviewed and discussed as necessary to confirm or reject the recommendation. If the DCFO (F) agrees with the contractor's recommendation, the items will be removed from NASA's asset accounts and individual identification of those assets ("name," type of PP&E, rationale, etc.) will be provided to Code BFB with the NF 1018 information so that these assets may be included in the required supplementary stewardship information on heritage assets accompanying the annual financial statements. If the DCFO (F) concludes that the items are not heritage assets, the contractor will be instructed not to identify the items as such on future NF 1018s.

Where a contractor identifies NASA PP&E in its custody on the NF 1018 as in the plant clearance process, the items will be removed from NASA's asset accounts, in accordance with 9251-2e.

f. CORRECTION TO NF 1018's. Contractors are to contact the cognizant Center Industrial Property Officer (IPO) when a NF 1018 has been submitted and an error is subsequently discovered. The IPO and DCFO (F) shall jointly determine the appropriate corrective action in accordance with the following procedures.

(1) Contractors are required to submit a corrected NF 1018 by October 31 to correct any errors found prior to that date, regardless of amount.

(2) Contractors are required to submit a corrected NF 1018 by November 10 to correct any errors $1,000,000 or more found after December 31.

(3) DCFO (F)s should contact Code BFE for instructions on any errors of $1,000,000 or more found after Nov. 10.

Where errors require a corrected NF 1018, Centers should revise and resubmit any data previously submitted to Code BFE related to the requirements in FMM 9255-2d. Any errors not requiring a corrected NF 1018 should be corrected and explained by the contractor in the following year's NF 1018 (using column a.(2), Adjustments, and Item 21, Comments).

9255-3 DISPOSAL

NASA-owned PP&E in the custody of contractors, determined to be surplus to the needs of NASA and other government agencies, may be disposed of in accordance with the provisions 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 the proceeds to be credited to the cost or price of the work (40 U.S.C. 485(a)).

9255-4 QUALITY ASSURANCE PROCESS

a. The Property Branch at NASA HQ, Code BFE will quarterly develop a schedule for periodic review of key contractor's NF 1018 data and related critical policies and procedures.

b. The Property Branch at NASA HQ, Code BFE will annually review centers' validation checklists as prescribed in 9255-2c.

9255-2A CHECKLIST FOR VALIDATION OF NF 1018 DATA IN THE NF 1018 ELECTRONIC SUBMISSION SYSTEM (NESS)

The NF 1018 Electronic Submission System (NESS) is the official system designated by NASA for contractors to electronically submit their annual report on NASA Property in the Custody of Contractors. Contractors using the NESS do not have to submit a paper copy of the Form. Contractors who choose not to use the NESS must submit the original of the completed Form to the DCFO (F) of the cognizant Center and a copy to the property administrator; industrial property officials at the Center will enter the NF 1018 data into the NESS for those contractors.

In accordance with FMM 9255-2c, the DCFO (F) shall validate NASA Form 1018 data in the NESS promptly within five days after they are input to the NESS. In validating NF 1018s reflecting property in the custody of the contractor valued at $100,000 or more, the DCFO (F) shall address the following issues:

(1) If the contractor did not submit electronically, do the beginning balances reported on this year's NF 1018 agree with the ending balances from the previous year's NF 1018? Do the amounts reported in NESS match those on the original NF 1018 received by the DCFO (F)?

(2) If the contractor reported adjustments, do they appear valid based upon the description in the "Comments" section (line 21)(see FMM 9255-2e.)?

(3) If the NF 1018 shows Government-Furnished Additions (column b.1), do the values reported agree with the amounts on the supporting documentation? Were the amounts recorded correctly by both the transferor and transferee?

(4) If the contractor reported a balance in Agency-Peculiar property, was a reasonable description provided in line 16?

(5) If the contractor reported balances of $10 million or more in any of the following property classification accounts: Special Test Equipment, Special Tooling, Agency-Peculiar, Contract Work in Process, and did not specifically state in line 21 that fees were included in the values reported, was the contractor contacted to verify that fees were included as required by FMM 9255-2e?

(6) If the contractor reported any deletions (lines 20b, 20c, 20d and 20e) as transfers, do the values reported agree with the pre-closing amount reported on the supporting documentation?

(7) If the contractor reported any deletions (line item 20) as "Other," were they adequately explained in Comments (line 21)?

(8) If any ending balances varied by 10% or greater, or $10 million, contact the contractor for an explanation. Determine whether the variance is reasonable.

(9) Did the contractor report any heritage assets (line 21)? If so, were the items the same as those reported on the previous year's NF 1018? For any new items, is the Contractor's rationale as to why they are considered to be heritage assets valid? For any heritage assets previously reported which are no longer identified, was there a corresponding deletion? (FMM 9255-2e).

(10) Is the property system approved (line 19a)? Is the property system analysis "satisfactory"? If not, as part of FMM 9252-2b (checklist item P1), has action been taken to confirm that the NF 1018 was not materially impacted by any system deficiencies?

The DCFO (F) shall reject NF 1018s with values of $100,000 or more, in NESS, where there are any negative answers to questions 1–7 above or where any of the answers for questions 8 and 9 indicate that the NF 1018 is not accurate.

For validation of NF 1018s which do not include any values of $100,000 or more, the DCFO (F) shall ensure that the report appears to be complete and accurate. The DCFO (F) shall ensure that any reported values of Materials, Construction in Progress, Contract Work in Process and Heritage Assets (see question 8, above) are included in the amounts reported to NASA Headquarters, Code BFE, in accordance with FMM 9255-2e.

FMM 9256 LEASED PROPERTY

9256-1 PURPOSE

This section prescribes accounting policies and procedures for property, plant and equipment (PP&E) leased by NASA and subject to capitalization.

9256-2 DEFINITIONS

a. LEASED PP&E SUBJECT TO CAPITALIZATION - PP&E under a lease where the terms of the agreement are essentially equivalent to an installment purchase of PP&E and the criteria in paragraph 9256-3 are met.

b. NONCANCELABLE - PP&E lease cancelable only upon occurrence of a remote contingency.

c. BARGAIN PRICE - Price at which NASA has the option to purchase leased PP&E that makes exercise of the option almost certain.

d. ESTIMATED ECONOMIC LIFE - Estimated remaining period during which the PP&E is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

e. MINIMUM LEASE PAYMENTS - Payments NASA is obligated to make or can be required to make in connection with leased PP&E.

f. FAIR VALUE - Price for which leased PP&E could be sold in an arm's-length transaction between unrelated parties.

g. INTEREST RATE IMPLICIT IN THE LEASE - Discount rate that, when applied to the minimum lease payments (less executory costs and unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased PP&E at the inception of the lease.

9256-3 CAPITALIZATION CRITERIA

Leased PP&E is subject to capitalization if its fair value is $100,000 or more, its useful life is 2 years or more, and the terms of the agreement are equivalent to an installment purchase by meeting **any one** of the following criteria:

a. The lease transfers ownership to NASA at the end of the term.

b. The lease contains an option to purchase at a bargain price.

c. The noncancelable length of the lease is equal to or greater than 75 percent of the estimated economic life of the PP&E.

d. The present value of the rental or other minimum lease payments, excluding that portion of the payments that represents executory costs, such as insurance, maintenance and taxes to be paid by NASA, equals or exceeds 90 percent of the fair value of the PP&E.

   Centers shall compute the present value of the minimum lease payments using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt unless:

   (1) It is practicable for NASA to obtain the interest rate implicit in the lease computed by the lessor; and

   (2) The implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt.

Criteria (c) and (d) do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased PP&E. The rental of space from the General Services Administration (GSA) does not qualify as leased PP&E subject to capitalization.

The Center SEMO is responsible for determining fair value and useful life of leased PP&E and notifying the DCFO (F) of leased PP&E that meets the capitalization criteria. The DCFO (F) is responsible for evaluating the terms of the lease agreement and notifying the SEMO if the leased PP&E is subject to capitalization.

9256-4 RECORDING REQUIREMENTS

Leased PP&E that meets the above criteria will be recorded as an asset in account 1810.000, Assets Under Capital Lease, with an offsetting liability in account 2940.0000, Capital Lease Liability. The amount recorded shall be equal to the amount recognized as a liability for the capital lease at its inception (the net present value of the lease payments calculated as discussed above, unless the net present value exceeds the fair market value of the PP&E, in which case the liability will be the fair value).

The difference between the capitalized value and the total amount of lease payments will be recorded as interest expense in account 6330.2000, applicable appropriations cost account, (i.e., 6100.8500 .) Interest expenses will be recognized as a portion of the lease payments and will be calculated based on the interest rate used to compute the present value of the minimum lease payments. FMM Appendix 9256-4A illustrates an example of a lease that is capitalized. Centers will not amortize the fair value of leased PP&E subject to capitalization over the life of the asset.

9256-5 REPORTING

Leased PP&E subject to capitalization are reported in the Capital Leases Report, , submitted in accordance with FMM 9391. All other PP&E leased for periods in excess of one year (including capitalized leases less than $100,000) shall be reported in the Operating Leases Report, submitted in accordance with FMM 9391.

9256-6 QUALITY ASSURANCE PROCESSES

Monthly the property accountant shall:

a. Prepare a journal voucher based on the Monthly NEMS Report of Transactions to Record. Analyze the backup from the Property Management Department to validate NEMS information to be recorded

(1) The amounts of the new acquisitions should agree with the costs recorded in the general ledger for that transaction. If they do not agree, document the variance explanation.

(2) If any items were recorded in NEMS as acquisitions (not capital leases) should be retagged as a capital lease (based on the review of the documentation), record as per FMM 9257 and notify in writing (via e-mail or hardcopy), the appropriate individual at your center to correct in NEMS. Maintain these communications until corrected.

(3) Any transactions of the NEMS report, which originally occurred in a previous fiscal year (i.e. Found on Station) should be recorded as prior period adjustments with a debit or credit to 7400.3730.

b. Run the FBL3N SAP Query for G/L accounts 6100.2321 and 6100.2330, for the current month, to determine if any transactions, which have not been identified, should be capitalized. (Note: if any expenses were recorded to the wrong account number, notify in writing (via e-mail or hardcopy), the appropriate individual at your center and maintain these communications until corrected.)

c. Quarterly, the property Accountant shall:

(1) Meet with the center, Supply and Equipment Management Officer (SEMO) and determine if there are any items which have been received but are not yet tagged in NEMS. Ensure that any untagged items, meeting NASA's capitalization criteria, are appropriately included in the general ledger.

(2)Complete a reconciliation between the NEMS query of items active with those recorded in the general ledger under Fund HSFP01995D for the account 1810.0000.

(3) Verify that the ending balance of 2940.000 should equal the previous quarter's ending balance less payments made, plus new leases entered into the period.

(4) Make a data call to the SEMO and Real Property Officer to request the appropriate for all leases where NASA is the lessee or the lessor as outlined in FMM 9391-8. Submit this listing (along with copies of any new agreements) after validating the information as follows:

(a) Compare agreement terms with information provided;

(b) Identify any additional leases by running the In/Out Grant Report (in the NASA Real Property Database) and the FBLN3N (for the reporting quarter) SAP Query outlined above.

9256-4A RECORDING OF CAPITALIZED LEASE PAYMENTS

A NASA Center entered into a 5-year lease agreement beginning 10/1/97 for a mainframe computer with a fair value of $900,000 and useful life of 7 years.

The lease is noncancelable with payments of $200,000 a year to be made in advance on October 1 of each year for five years. Title to the property passes to NASA at the end of the lease on 9/30/02.

The Treasury Average Interest Rate for Marketable Interest Bearing Debt at the time of the lease is 7 percent and the lessor's implicit rate is 5 1/2 percent.

The executory costs are paid by the Center and are not part of the lease payments.

This lease must be capitalized because the noncancelable term is greater than 75 percent of the estimated economic life of the property, the title passes to NASA at the end of the lease and the property has a value greater than $100,000 and a useful life greater than 2 years.

The interest rate used to calculate the portion of the payments identified as interest expense is the implicit rate of the lessor, which is 5 and 1/2 percent, since it is less than the Treasury rate.

The following schedule identifies the interest expense and reduction of the liability by payment.

Date	Payment	Interest Expense Acct. 6330.2000	Liability Reduction	Balance Liability Acct. 2940.0000
				$ 900,000
10/1/97	$ 200,000	-0-	$ 200,000	$ 700,000
10/1/98	$ 200,000	$ 38,500	$ 161,500	$ 538,500
10/1/99	$ 200,000	$ 29,618	$ 170,382	$ 368,118
10/1/00	$ 200,000	$ 20,246	$ 179,754	$ 188,364
10/1/01	$ 200,000	$ 11,636	$ 188,364	-0-
TOTAL	$ 1,000,000	$100,000	$900,000	

Amounts reported on the schedule were adjusted to accurately liquidate the liability balance.

FMM 9257 PROPERTY TRANSFERS

9257-1 PURPOSE

This section prescribes policies and procedures for documenting and recording transfers of capitalized property, plant and equipment (PP&E) between a NASA Center and (1) other Centers, (2) contractors, and (3) other Federal agencies and outside entities, on a reimbursable or nonreimbursable basis. It also covers transfers between contractors of the same Center and between a Center and the contractor of another Center. See also FMM 9251-2d. (5) regarding policy.

9257-2 FINANCIAL CONTROLS

a. The transfer of capitalized PP&E to another entity should be recorded as a reduction to the fixed asset account for the recorded value of the asset. The receipt of capital PP&E from another entity should be recorded in the appropriate asset account at (1) the acquisition cost of the transferor for nonreimbursed transfers or (2) the amount paid to the transferor for reimbursed transfers. Transfers will be recorded in accordance with FMM 9220. Offsetting entries for transfers will be affected by the nature of the transfer (e. g. reimbursable or nonreimbursable) and the parties involved (i.e. NASA, NASA contractors and other Federal agencies). The offsetting entries should include one of the following accounts:

Account	Description
5720.0000	Financing Resources Transferred in Without Reimbursement
5730.0000	Financing Resources Transferred out Without Reimbursement
6100.8100	Personal Property-Government Owned, Government Held
6100.8200	Personal Property-Government Owned, Contractor Held
6100.8300	Real Property-Government Owned, Government Held
6100.8400	Real Property-Government Owned, Contractor Held

Offsetting entries for intra-NASA transfers will be to account 6100.8100. Accounts 6100.XXXX, Current Year Costs and 1010.XXXX, Fund Balance with US Treasury, will also be affected when the transfer involves a reimbursement to the transferor.

NASA Headquarters, Code BFE, maintains data on all intra-NASA transfers (account 6100.8100) to ensure the total amounts on an Agencywide basis net to zero. NASA Centers involved in intra-NASA transfers are required to record entries on a timely basis and process corrective actions when requested to resolve differences.

b. Transfers of PP&E between a NASA Center and its contractors should be documented using shipping documents such as a DD Form 1149 or a DD Form 250. The documents should 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, Material Inspection and Receiving Report, is used, the FSC code will be part of the national stock number (NSN) entered in Block 16 or, if the NSN is not provided, the FSC alone shall be shown in Block 16. The original acquisition date shall be shown in Block 23, by item. Other formats should be clearly annotated with the required information. Transfers of PP&E between contractors within a NASA Center should be noted on shipping documents and a copy should be furnished to the 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 documented using a NF 1322, Personal Property Transfer Voucher.

9257-3 PERSONAL PROPERTY TRANSFER VOUCHER

a. The financial management office of a transferring Center will prepare a Personal Property Transfer Voucher, NASA Form 1322, to document property transfers to another NASA Center for its use or the ultimate use of a contractor of that Center.

b. Preparation of the NF 1322 will be based upon an approved copy of a shipping document such as a SF 122, DD Form 250 or DD Form 1149, which evidences the movement of PP&E.

c. The transferring Center should forward a transfer voucher to the receiving Center in the accounting period during which the PP&E is shipped or, at the latest, the subsequent accounting period. Centers will establish procedures to allow sufficient time to prepare and forward transfer vouchers by the 25th of the month.

d. Incoming and outgoing transfer vouchers will be recorded in the month shown on the voucher. The receiving Center is responsible for requesting the transferring Center to furnish the voucher or information to correct an incomplete submission. The financial management office of the transferring Center will complete the NF 1322.

FMM 9258 SOFTWARE

9258-1 PURPOSE

This section prescribes accounting policies and procedures for NASA internal use software. When accounting treatment for specific circumstances is not discussed in this chapter, reference should be made to Statements of Federal Financial Accounting Standards (SFFAS) Number 10, "Accounting Internal Use Software", for guidance.

9258-2 POLICY AND PROCEDURES

a. **DEFINITIONS**. Definitions used in this chapter are listed below:

(1) Commercial off-the shelf (COTS) software: Software that is purchased leased or licensed from a vendor and is ready for use with little or no changes. Software licenses are excluded from the definition of COTS for the purposes of this report.

(2) Contractor developed software: Software that an Agency is paying a contractor to design, program, install, and implement, including new software and modifications of existing or purchased software – without substantive employee involvement beyond contract monitoring.

(3) Impaired Software: Software which is no longer expected to provide substantive service potential and will be removed from service, or software that incurs a significant reduction in capabilities, functions, or use (or a module thereof).

(4) Integrated software: Computer software that is integrated into and necessary operate PP&E, rather than perform an application.

(5) Internal Use software: Software that is purchased "off-the-shelf," internally developed, or contractor-developed solely to meet the Agency's internal needs.

(6) Internally developed software: Software that employees of the Agency (civil servants) are actively developing, including new software and existing or purchased software that is being modified with or without the assistance of contractors.

(7) Software: The application and operating system programs, procedures, rules and any associated documentation pertaining to the operation of a computer system or program.

(8) Useful life: The normal operating life in years, in terms of utility to the owner.

(9) Software life cycle Phases:

Software life Cycle Phases		
Preliminary Design Phase	**Development Phase**	**Post-Implementation/ Operational Phase**
• Conceptual formulation of alternatives • Evaluation and testing of alternatives • Determination of existence of needed technology • Final selection of alternatives	• Design (including configuration and interfaces) • Coding • Installation on hardware • Testing (including parallel processing, if needed)	• Data Conversion • Application maintenance • Training • Deployment

b. CAPITALIZATION

(1) **General Guidance**: Beginning in October 2000, NASA must comply with Federal Financial Accounting Standard number 10, which was published by the Office of Management and Budget (OMB) and the General Accounting Office. Under the provisions of this standard, internal use software is classified as general property, plant, and equipment (PP&E). Therefore, the cost of such software must be capitalized if:

(a) The total projected cost after September 30, 2000[1] is $1,000,000 or more and

(b) The expected useful life of the software is 2 years or more.

(2) **Costs to Capitalize:** The following software costs must be captured for capitalization purposes:

(a) New Software: Software costs must be capitalized, depending on how it was developed and/or procured, if the total cost for the software is $1,000,000 or more and the expected useful life of the software is 2 years or more.

(b) Internally developed software: Capitalization costs include the full cost (direct and indirect) incurred during the Software Development Phase only. See the definition of software life cycle phases on page 3 of this document.

[1] Do not include any costs incurred before October 1, 2000.

(c) COTS software: Capitalization costs include the amount paid to the vendor for the software (purchase or lease) and material internal costs incurred by the Agency to implement the software and otherwise make the software ready for use up through acceptance testing. Training costs and associated travel are considered part of the post-implementation costs and should not be included in the capitalization costs. Costs incurred after acceptance testing are to be expensed. Software licenses are excluded from the definition of COTS for the purposes of this report.

(d) Contractor developed software: Capitalization costs include costs incurred up through acceptance testing, including the amount paid to a contractor during the Preliminary Design and Development Phases and material internal costs incurred by the Agency to implement the software and otherwise make the software ready for use. Training costs and associated travel are considered part of the post-implementation costs and should not be included in the capitalization costs. Costs incurred after acceptance testing are to be expensed.

(e) Software developed in modules (including pilots) should be accounted for as follows:

(1) If the modules are implemented and operated independently then the software is to be accounted for based on the cost of each module and the expected useful life of each module.

(2) If the modules are inter-dependent and cannot operate independently, then the costs and life cycle should be the combined cost and life of the modules, which must be implemented together. The useful life of independently implemented software starts on the date the software becomes operational.

(f) Software acquired through separate contracts should be accounted for separately. Bulk purchases of the same software acquired under the same contract should be accounted for as a group. If the same software package is purchased under two or more contracts the costs should be accounted for and the thresholds applied separately. Software licenses are excluded.

(g) If software is being capitalized, but becomes unusable (impaired), this should be brought to the immediate attention of Headquarters Codes AO and B.

(3) **Enhanced Software:** Enhancement costs for existing software should be capitalized if the enhancement results in significant additional capability beyond that which the software was originally intended, the total cost of the enhancement is $1,000,000 or more, and the expected useful life of the enhanced software is 2 years or more. Include the same types of cost as indicated above under new software. Costs incurred solely to repair a design flaw or perform minor upgrades should not be capitalized. A significant additional capability is considered a capability that was not included in the original software specifications and which costs $1,000,000 or more to develop (exclusive of all other updates to the software).

(a) In accordance with FASAB Statement No. 10, capitalizable and noncapitalizable costs of the any software purchased as a package of products and services must be properly allocated among individual elements on the basis of a reasonable estimate of their relative fair values.

(b) Do not capitalize:

(1) Software licenses

(2) Software developed as part of a research effort

(3) Software that is integrated into and necessary to operate a NASA asset. Such software should be capitalized as part of the asset in which it is integrated.

(4) Software that NASA does not own outright or for which NASA does not own a lease to operate (such as software provided through the ODIN contract).

(a) Data conversion, maintenance, and training costs.

(b) Costs incurred after final acceptance testing has been successfully completed.

(c) Design Flaw Correction: Costs incurred solely to repair a design flaw in software should not be capitalized.

9258-3 QUALITY ASSURANCE PROCESSES:

a. On a quarterly basis a data call letter is sent to the CIO's office at each center.

b. The data received from the CIO's offices is validated through:

(1) Review of supporting documentation; and

(2) Accounting System Queries.

FMM 9259 ASSETS IN SPACE

9259-1 PURPOSE

This section prescribes accounting policies and procedures for NASA's Assets in Space.

9259-2 POLICY AND PROCEDURES

a. DEFINITION. For purposes of this section the following definitions apply:

(1)"Useful Life" begins on the date of operation and does not include cruise time. This would be the planned design life, as denoted in the project plan, that the asset is expected to function.

(2) "Date of Operation" is the date the asset actually begins its mission, i.e., after completion of the cruise phase and checkout procedures.

(3) "Status" concerns the operational capabilities of the asset to provide value or benefit to the Agency. The asset would be considered "not operational" if it does not provide value or benefit.

(4)"Development" Costs are all costs incurred to the Date of Operation, exclusive of launch costs. Costs shall include all costs incurred to bring the asset to a form and location suitable for its intended use. All direct costs are included in the total cost of the asset; fixed overhead costs are not included unless they are increased by the construction of the asset. Post implementation or operation costs will be expensed.

(5)"Extended Useful Life" is the number of years that the original design life will be extended. This will apply where the Original Design Life has passed or is drawing to a close, but the asset is expected to be operational for some time to come.

(6)"Work In Process": are costs accumulated for an asset in space as until such time as the asset is considered "operational". At that time the costs will be moved from the work in process account to the equipment account and depreciated.

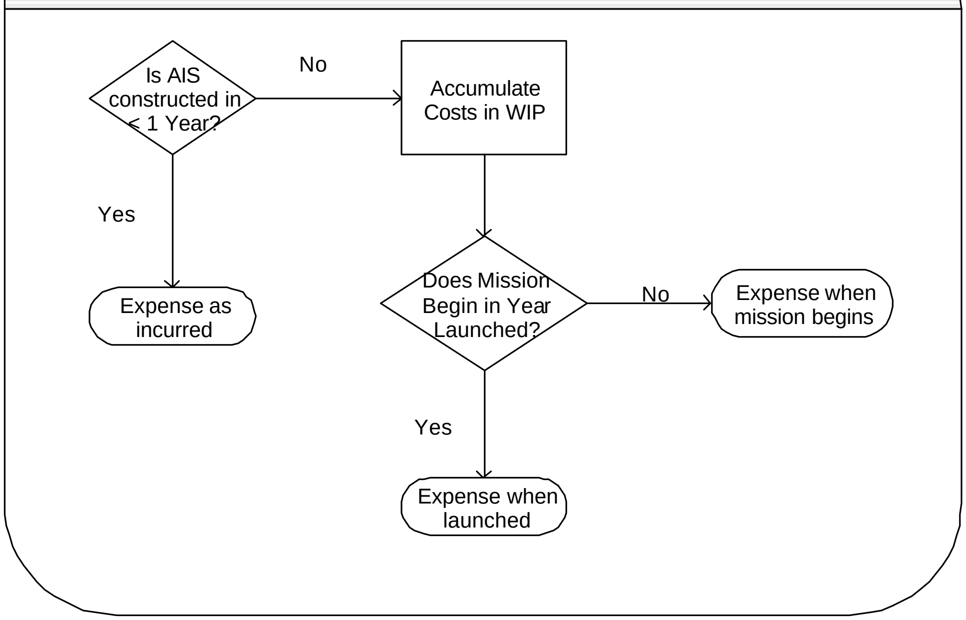
b. CAPITALIZATION. Assets in Space (i.e. Assets destined for permanent operation in space) are capitalized in accordance with FMM 9251-2. In addition, the following applies:

General Guidance: Generally Accepted Accounting Principles (GAAP) recommends a conservative approach when capitalizing R&D costs. Chapter 40 states: "Because of the high degree of uncertainty of any resulting future benefit, the underlying basic principle in accounting for R&D is conservatism. Since at the time of performing R&D there is uncertainty concerning future success, the most conservative approach is to expense the item in the period incurred." In general, costs will begin to accumulate as work-in-process, once the concept has been declared "viable" and agreement has been reached that the asset will be built.

However, in order to comply with the matching concept described in SFFAC No. 1, the following conventions should also be applied to NASA's AIS with a useful life of less than two years.

- The costs of AIS that take less than one year to construct and less than one year to reach its destination should be expensed when incurred
- The costs of AIS that take more than one year to build and one year or less to reach their destination should be accumulated in WIP and expensed in the period the asset is launched.
- The costs of AIS that take more than two years to reach their destination and begin their mission should be accumulated in WIP and expensed in the period the mission begins.

Exhibit 1: Decision Diagram for
Assets in Space with a Useful Life of Less than 2 Years



The Following Steps Will be Performed "Quarterly" To Determine Costs To Capitalized:

1. Identify what the items are (i.e. modules of Station, Satellite etc.), where they are located (in space, on the ground), who constructed them and determine if they meet our capitalization criteria. Determine additional costs (launch, integration and testing) necessary to place the asset in orbit and operating. This would involve:

   a. Issuing a quarterly data call to the Enterprises

   b. Holding discussions with program and contractor personnel to determine the following for each project:

Project Name:____________________	Project Manager: ___________________
Development WBS:_________________	Materials from other entities: __________
Launch Cost WBS:_________________	Est. Date of Operations
Est. Launch Date:__________________	Est. Mission Life:__________________

2. Validate Data Call.

   a. Review the Enterprise websites to determine if any other projects are active which were not identified by program office.

   b. Review the website at Space-Launcher.com to determine if any launches occurring during the reporting period relate to NASA mission.

3. For each project, from NASA's accounting system obtain the total value of the contracts which accrued costs and subtract out any amounts capitalized elsewhere as follows:

Development Costs	$XX,XXX,XXX	From Specific WBS
Launch Costs	$ X,XXX,XXX	From Specific WBS or Shuttle Office
Plus Materials from other entities	$ XXX,XXX	Other agencies, Barters
Less Property Capitalized Elsewhere	($ X,XXX,XXX)	From NF1018 submissions
Total to Be Capitalized	$XX,XXX,XXX	

4. Determine (and document) through discussions with program offices whether previously reported missions are still on target with concerning costs, launch and operational dates, as well as original and extended useful life.