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NASA Procedural Requirements

COMPLIANCE IS MANDATORY

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Chapter 2. Objectives and Policies of Financial Budgeting, Accounting and Reporting

2.1 Overview

2.1.1 This chapter sets forth the basic objectives of NASA's budgeting, accounting, and financial reporting system and the requirements to be followed in carrying out those objectives. These requirements constitute the basis for development and implementation of the NASA financial system in accordance with Federal accounting standards.

2.1.2 The fundamental objective for the NASA financial budgeting, accounting and reporting system is to efficiently and economically satisfy the needs of NASA officials for reliable, accurate, timely, and complete financial data in order to effectively ensure the following:

- a. Administrative control over and accounting for appropriations so responsible officials may establish and document that NASA financial transactions are within amounts appropriated and apportioned, and for purposes legally authorized and administratively approved.
- b. Budget formulation and execution.
- c. Management and deployment of resources to achieve optimal results in the execution of missions and activities.
- d. Control over property and other assets.
- e. Responsiveness to the requirements of the Congress, the Government Accountability Office, the Office of Management and Budget (OMB), the General Services Administration, the Department of the Treasury, the Federal Accounting Standards Advisory Board, and other external agencies with respect to financial operations and status.

2.2 Agency Requirements

2.2.1 NASA requires that the management of finances involved in the execution of NASA missions and the conduct of NASA activities is an integral and essential element of the

total management function and responsibility of the Agency and officials at all levels of the organization. This requirement is based in part on the following considerations:

- a. NASA is entrusted with public funds and charged by law with the responsibility for control over and accounting for the expenditure of those funds.
- b. Within the law and consistent with sound and conscientious discharge of NASA's public responsibility, the expenditure of funds will be accomplished so that missions are executed and activities conducted in the most efficient and economical manner.

2.2.2 Financial management functions that are inherently governmental in nature shall be performed by Federal employees. OMB Circular No. A-76, Performance of Commercial Activities, May 29, 2003, in its Attachment A, defines an inherently governmental function as an activity that is so intimately related to the public interest as to mandate performance by Government personnel. These activities require the exercise of substantial discretion in applying Government authority and/or in making decisions for the Government.

2.2.3 Center management should ensure there is an adequate staff of trained and experienced Federal employees in appropriate positions to properly manage the various financial management activities and ensure effective internal controls over monetary transactions. When functions are contracted out which are not inherently governmental but closely support the performance of inherently governmental functions, management shall provide an enhanced degree of oversight of contractor performance of these activities. This ensures that any final action regarding these activities complies with Federal laws and policies, reflects the independent judgment of Agency officials, and ensures that there is reasonable identification of contractors and their work products.

2.2.4 With respect to projected goals and the use of services and material resources (as expressed in financial terms), both provisions of law and management policy require that NASA formulate and execute budget based on projected costs to establish goals for commitment, obligation, cost and expenditure, and that the financial accounting and reporting system be designed to measure actual results in those same terms.

2.2.5 The Antideficiency Act provides that obligations may not be incurred and expenditures may not be made unless there is an appropriation or fund balance available. Also, appropriations by the Congress are requested, made, administered, and accounted for in terms of authority to obligate and expend. NASA accounting records will identify obligations incurred and liquidated with the applicable appropriation.

2.2.6 The basic instrument by which NASA meets the objectives set forth in Section 106 of the Budget and Accounting Procedures Act of 1950, as amended, is the Financial Classification Structure (FCS). The FCS sets forth a uniform classification of all NASA activity and is used in the collection, reporting, and presentation of financial information for a variety of purposes including planning, budgeting, accounting and reporting. The coding structure has been designed to meet the management needs of Headquarters Offices and NASA Centers. All NASA financial transactions will be classified and coded in accordance with the FCS.

2.2.7 Financial Accounting and Reporting Requirements. The following requirements are related to financial accounting and reporting and will be applied throughout NASA:

- a. Financial accounting and reporting will be performed at the highest level. Duplicate records and reports will be avoided, and Headquarters and Center requirements will be combined and integrated to that end. Centers will be responsible for determining operating procedures wherever possible. The NPRs will establish minimum requirements for the Agency-wide financial accounting guidance and reporting system.
- b. The accounting system will provide internal controls for safeguarding assets, ensuring that bills are promptly processed for goods and services sold, promoting the accuracy and reliability of financial data, and encouraging adherence to approved policies. The system of checks and balances will be sufficient to disclose conditions and transactions not in conformance with legal, administrative, and accounting requirements, and to ensure that funds are disbursed only for purposes for which they are legally available and

administratively authorized. Recorded transactions will be adequately documented so they may be traced from original documents to financial statements.

c. Agency program and fund management concepts and systems require that commitments be recorded in order to provide a certified reservation of funds to support the awarding of obligation of funds.

d. Payments will be recorded in accounts and reported at the level of the NASA FCS to facilitate administrative control of funds and assist in budget formulation and execution, including commitments, obligations, and costs.

e. Cost accounts will be maintained on an accrual basis, i.e., costs and income will be recorded in accounts in the period in which incurred or earned. In the application of this policy, every effort will be made to ensure a comprehensive accrual at fiscal year-end and reasonable efforts will be made to record costs accurately on an accrual basis each month.

f. Obligations are liquidated on the accrual basis, i.e., when goods or services are received and related costs are recorded. Costs will be classified in accounts according to the appropriation which financed the costs. Costs will be reconciled to obligations incurred at the appropriation level for each Center. Within each appropriation, costs will be classified first by FCS and then by those capitalized and expensed as a cost of current operations. The system of classification will be uniform so that total costs including overhead may be determined irrespective of which appropriation financed the costs or whether the costs are finally accounted for as capital or expense. Where it is necessary or desirable to specify Agency-wide treatment of a cost item or method of cost allocation, Centers will adopt the specified treatment or method for internal operations and reports as well as for reporting to the Agency OCFO.

g. Disbursements will be charged only against costed obligations. In the case of contracts funded with multiple appropriations, disbursements will be charged directly against the specific underlying costed obligations in instances where there is sufficient data to make a direct linkage. This is the preferred method of charging disbursements against obligations. In the absence of sufficient linkage data as determined above, the Deputy CFO (Finance) or their designee, in consultation with the cognizant contracting officer, will use estimating techniques to develop paying instructions that will be used to charge disbursements against costed obligations. The paying instructions should result in a reasonable allocation of the disbursement to costed obligations based on the nature of the work performed. Payment methods that direct that payments be made from the earliest available fiscal year funding sources, or that provide for proration across appropriations assigned to the line item, or a combination thereof, may be used if that methodology reasonably reflects how much each of the appropriations support contract performance.

h. Paying instruction will be documented as follows:

(1) Where a standard or general practice is followed for recording disbursements on contracts funded with multiple appropriations, the documentation will describe the practice. The documentation will be available for review.

(2) Where payment instructions for a multiple-funded contract differ from the standard practice, those documented instructions will be retained in payment records together with the associated paid contractor invoices. Adjustments to the appropriations actually charged resulting from revised paying instructions should be promptly recorded.

i. Government-Owned/Held Property, other than real property and materials held for issue, which are located at another Center, will generally be recorded by the Center where the assets are physically located. When such assets are physically located at other than the funding Center, accountability may, by mutual agreement, remain with the funding Center. Real property will be recorded and reported by the Center where the real property is physically located.

j. Government-Owned/Contractor-Held Property, Plant and Equipment (PP&E), and materials held for issue, will be recorded and reported by the Center having cognizance of

the contract under which the contractor is accountable, whether or not property administration is assigned to others. When contractor-operated facilities are located on a NASA Center, real property will be recorded and reported by the Center where located.

k. Inventories, Government-Owned/Held materials, supplies and non-capital equipment in inventory will be classified uniformly in the general ledger accounts. Items purchased specifically for use on a project may be charged directly to the project providing the items are used, consumed, or applied within a reasonable period of time. Materials, supplies, and non-capital equipment, not charged directly will be priced at average costs when issued for use. Inventory accounts will be supported by inventory records, which will be reconciled with the controlling accounts.

l. Statistical sampling may be used in the examination of payment documents in the amounts of \$2,500 or less when it has been demonstrated that economies will be achieved and a valid statistical sampling plan is used. A valid statistical sampling plan will provide the basis for the certification of payment including the following:

(1) A description of the objective of the audit and the appropriate universe of payment documents defined in quantitative terms. The audit emphasis must be commensurate with the risk to the Government. Statistical sampling of all payment documents not subject to complete audit coverage is required.

(2) Appropriate sampling methods and sample size needed to meet the audit objective.

(3) Appropriate procedures for estimating the characteristics of the universe of payment documents from the data sampled. Internal controls will be established to effectively monitor errors detected within the sampling process to ensure undetected payment errors are minimized. If more than the predetermined number of sample errors is found, management action is required.

m. Quality Assurance Evaluations will be conducted to provide responsible NASA officials with an independent evaluation of the degree to which NASA financial accounting and reporting systems conform to the principles and standards prescribed. Such reviews shall also examine the extent to which the concepts and application of NASA financial accounting and reporting systems are adequate to permit responsible NASA officials to exercise proper financial controls.

2.2.8 Deviations.

2.2.8.1 Requests for exceptions from these NPR requirements should be made only when circumstances and urgently compelling reasons justify departures from NASA policy and NASA management needs for uniformity and consistency.

2.2.8.2 Requests for exceptions will be submitted in writing through the Center CFO to the Director, Policy Division, OCFO, NASA Headquarters.

2.3 Roles and Responsibilities

2.3.1 The Agency CFO and the Deputy CFO shall:

a. Establish policies, standards, and procedures applicable to NASA financial budgeting, accounting and reporting functions and activities.

b. Conduct periodic, systematic reviews of Center financial budgeting, accounting and reporting practices.

2.3.2 The Center CFOs and Deputy CFOs shall apply the provisions of the NPRs to meet the needs and directives of Center management, under functional direction of the Agency CFO.

2.3.3 Program Managers shall determine management needs for data, status information, estimates, and reports, consistent with the aforementioned provisions and the NPRs.

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