NASA Procedural Requirements

COMPLIANCE IS MANDATORY

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Subject: Working Capital Fund Policies and Requirements

Responsible Office: Office of the Chief Financial Officer

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Chapter 3. Customer Orders

3.1 General

3.1.1 This section establishes the Working Capital Fund (WCF) financial management policies related to (1) entering into customer orders; (2) using Work Breakdown Structures (WBS); and (3) advance billing and collecting. NPR 9095.1, Reimbursable Agreements, establishes policies relating to reimbursable agreements. Many of those policies are equally applicable to WCF customer orders; however, there are significant differences between reimbursable agreements (which charge actual performance costs) and WCF customer orders (which charge a pre-set stabilized rate or price).

3.2 Agency Requirements

3.2.1 All customer orders accepted by a WCF business entity shall be in writing and shall call for specific goods, work, or services. Each WCF business entity shall record promptly all customer orders accepted and shall account for the status of all orders in terms of deliveries, billings, and unfilled balances.

3.2.2 Customer orders (funded requests for goods or services) create a binding contractual relationship between a NASA WCF business entity and its customer upon acceptance. Customer orders also provide the budgetary and cash resources necessary to finance operations. WCF business entities must be prepared to meet all of the performance requirements contained in the customer orders and the associated Service Level Agreement (SLA) including those for quality, quantity, time, and price.

3.2.3 A WCF customer order requests a WCF business entity to provide a specific good or perform a specific service. Also, the customer provides the WCF with advance funding for the good or service ordered. After acceptance of the customer order by the WCF business entity manager, the WCF business entity then requests advance funding to begin work; provides the good or service requested; status bills the customer the agreed-upon price; and recognizes funding received as revenue based on goods or services fully or partially completed.

3.2.4 A NASA WCF business entity shall not initiate work or services or incur obligations until customer orders are signed and advanced funding is received.

3.2.5 Goods or services that are needed on a recurring and predictable basis may be ordered on an annual basis. All customer orders between a WCF business entity and its customer document the planned good(s), service(s), and price(s) and are signed and approved by the customer and the WCF business entity manager. Annual customer orders should be prepared and approved by the customer and WCF business entity manager before the beginning of the applicable fiscal year.

3.2.6 Either the customer order or the SLA shall include the customer's best estimate of the service levels required. Significant variances in the level of actual services consumed should be communicated to the WCF business entity as a modification to the customer order. In all cases, the customer is responsible for the determination that funds cited on a customer order are an appropriate use of the cited appropriation. In the event that the NASA has not received its new fiscal year budget, customer orders shall be funded consistent with NASA Agency Office of the

CFO guidance to implement the Continuing Resolution legislation.

3.2.7 The responsibilities in the NPR 9095.1, Reimbursable Agreements, are the same for WCF customer orders as they are for reimbursable agreements except that an Estimated Price Report (EPR) is not required for WCF business entities. An EPR is not required because WCF business entities charge on the basis of a pre-set stabilized rate or price and not actual cost.

3.2.8 Authorized Customers. Customers of a NASA WCF business entity may be:

a. Any NASA Center, organization, office, or other element.

b. Non-NASA Federal government agencies.

c. Private parties and concerns including foreign, state and local governments as authorized by law.

3.3 Roles and Responsibilities

3.3.1 The Manager of the WCF Business Entity shall:

a. Establish a stabilized rate structure for the goods and services the entity provides.

b. Formally accept customer orders and provide a signed acceptance copy to the customer.

c. Satisfy the quality, quantity, time, and price requirements of accepted customer orders.

d. Not initiate work until the customer order is signed by both parties and a cash advance has been received from the customer.

e. Provide the customer a status bill monthly and liquidate the bill amount from the remaining cash advance. This requirement does not apply to NASA WCF business entities providing services through a Government-Wide Acquisition Contract (GWAC).

3.3.2 NASA WCF Customers shall:

a. Accurately identify the services required, including the quantity, quality, and period of delivery.

b. Record a commitment in the amount of the customer order when submitted to the WCF Business entity.

c. Record an obligation when the WCF business entity accepts and signs the customer order.

d. Provide the WCF business entity a cash advance prior to the scheduled start of the requested work.

e. Monitor the performance of the customer order and negotiate modifications if needed due to changes in workload.

3.4 Annual Customer Orders

3.4.1 During the Planning, Programming, Budgeting, and Execution (PPBE) process, a WCF business entity should request its customers to identify planned WCF customer orders for the upcoming fiscal year. The planned customer order information should reflect the amount of goods or services required and sufficient funding committed or planned for a full fiscal year.

3.4.2 Customers are responsible for determining their annual needs based on historical information and feedback from their internal users (the process to gather this information is at the discretion of each customer organization). After determining their annual needs, customers complete the WCF order, which includes a listing of the services offered and a unit price for each service. A completed WCF order identifies the amount of funds needed for each specific service.

3.4.3 The customer order serves as a formal funding agreement between the customer and a WCF business entity. Customers may cite their unexpired appropriations, new funds or a combination of both.

3.4.4 If a customer order cites new appropriated funds anticipated in the upcoming fiscal year, then the customer order is subject to the availability of funds. As such, the customer must designate on the customer order that the customer order is "Subject to the Availability of Funds."

3.4.5 After a customer order is prepared, it must be signed by a customer official with authority to commit the funds cited and by the customer's budget officer who certifies that funds have been committed/reserved. The budget officer/ fund control officer's signature attests that the funds are "available, reserved, and appropriate for the service identified."

3.4.6 Prior to sending the customer order to a WCF business entity, the customer's budget officer commits the funds cited on the customer order. For newly appropriated funding, once Congress approves the budget of the customer's agency (i.e.., NASA, Department of Defense (DoD), or other Federal Agency), customers must immediately commit

those funds and notify the WCF business entities that those funds have been committed and can now be obligated.

3.4.7 Prior to decommitting funds, the customer must first notify the WCF business entity of the intent to decommit the customer's funds. If the funds need to be decommitted, the customer must fully explain the rationale behind the decommitment to the satisfaction of the WCF business entity. Funds shall not be decommitted unless there is a mutual signed agreement between the two parties.

3.4.8 If a customer receives a WCF service prior to completing a customer order or providing the necessary documentation showing that the funds have been committed, the WCF business entity shall notify the customer of the need to immediately prepare a new customer order or modify an existing customer order with the appropriate funding for the required level of service. If the customer order modification is not submitted to the WCF business entity manager by the close of the following advance billing cycle (within approximately 30 days), the WCF business entity manager may, if necessary, raise the issue to the Center Chief Financial Officer (CFO), NASA CFO or WCF Corporate Board for their review and resolution.

3.4.9 Distinction Between a WCF Customer Orders and a Reimbursable Agreement. There is a fundamental distinction between a customer order placed with a WCF business entity and a reimbursable agreement accepted by any other NASA entity. The WCF customer order is priced based on a stabilized rate per unit for each product the customer orders. The customer is billed for the number of units provided times the stabilized rate. In contrast the priced charged under a reimbursable agreement is the actual cost incurred less any costs waived by NASA. The pre-set price billed by the WCF is designed to recover the operating and capital budget costs of the performing WCF business entity. However, during execution of the customer order, the price that results from the stabilized rate may be more than, or less than costs incurred by the WCF entity. This is normal and expected because the stabilized rate is usually set in advance of performance so that the ordering activity can better budget for the acquired service. Operating gains and losses of a WCF are recovered from customers in the rates established for subsequent fiscal years.

3.5 Accepting Customer Orders

3.5.1 Customers provide the signed and approved WCF customer order (plus any other required documentation) to the WCF business entity. Upon receipt, the WCF business entity assigns a unique Customer Order Number.

3.5.2 While the customers are responsible for ensuring the accuracy and completeness of the customer order, the WCF business entities are responsible for assessing their ability to provide the requested goods or services. A WCF business entity shall discuss any problems with its customers prior to acceptance of the orders, and return incomplete customer orders to the customer for correction and resubmission. Upon acceptance of the customer order and signature, the WCF business entity manager provides copies of the signed forms to the customer order originator. The signed customer order, or notification of the signing, is documentation for the customer to remove its commitment and move the funding to undelivered orders-obligations prepaid/advanced or undelivered orders-obligations unpaid status.

3.5.3 Following approval by the customer and the WCF business entity manager, customer orders are binding on both parties and cannot be modified except by mutual agreement through a formal modification. Therefore, customers should verify the accuracy of their orders and WCF business entities should ensure their ability to provide the requested goods or services prior to signing the customer order. Problems related to a customer order should first be addressed between the customer and the WCF business entity. If these parties cannot resolve the problem, the WCF business entity manager may raise the issue to the Center CFO, NASA CFO, or WCF Corporate Board as necessary.

3.5.4 After acceptance of the customer order by the WCF business entity manager, delivery of services begins consistent with the terms of the customer order.

3.6 Initiation of Customer Order Work

3.6.1 A NASA WCF business entity shall not start work for a customer until:

a. A customer order has been signed by both NASA and the customer;

b. A WBS has been assigned, (The process for obtaining a WCF customer order number is the same as that for obtaining a WBS for a reimbursable agreement.);

c. Adequate WCF resource authority has been received from Headquarters; and

d. WCF budgetary resources are available.

3.6.2 A WCF business entity can record WCF budgetary resources when it has received one of the following:

a. A fully executed customer order from another Federal entity accompanied by a cash advance; or

b. A fully executed customer order from another Federal entity; or

c. An order from a non-federal customer accompanied by an advance; or

d. An order from a non-federal customer unaccompanied by an advance where a waiver has been received from the Center Deputy CFO or the Agency OCFO, Director, Financial Management Division.

3.7 Customer Orders

3.7.1 The WCF business entities are responsible for providing monthly status billing statements to their customers. The WCF business entities review the statements for accuracy to ensure that the appropriate customer is charged for the goods received or services provided. Upon receipt of the status billing statements, customers are responsible for analyzing the reports and monitoring their "burn-rate" or actual dollars charged for those services delivered. This requirement does not apply to NASA WCF business entities providing services through a GWAC.

3.7.2 Customers should notify the WCF business entity concerning erroneous status billing information and work to resolve the problem prior to the next status billing cycle (within approximately 30 days). If a status billing problem cannot be resolved within this time period, the customer should raise the issue to the Center CFO, Agency CFO, or WCF Corporate Board as necessary.

3.7.3 As the end of each fiscal year approaches, customers may request a deobligation of their funds for goods or services ordered that were not provided. A return of customer funds near the end of a fiscal year is permissible so long as the WCF business entity has not commenced work on the good or service ordered or incurred an obligation for those goods or services. By the beginning of the fourth quarter, customers should submit their modifications to customer orders that reflect estimated reduced service levels to the WCF business entity managers.

3.8 Modifying Customer Orders

3.8.1 Once a customer order has been signed by a customer and accepted by a WCF business entity manager, it is binding on both parties and can be modified only through mutual agreement. A modification of the customer order is required to change ordered service requirements and add additional funds or remove surplus funds. Customers should notify the WCF business entity prior to the fifteenth day of the month to effect changes in the level of service consumption and status billing for the following month. Modifications may be requested at any time during the year, but 30 days should be allowed for processing and data entry prior to the end of the fiscal year.

3.8.2 Modifications that reflect only changes to a customer's identified lines of accounting (but not the amount of total funding) shall be accepted by the WCF business entity.

3.8.3 Modifications that affect the level of services ordered (increases or decreases from the original customer order amount) must be reviewed by the WCF business entity to assess its ability to provide the requested level of service and for possible impacts on other customers. If needed to preclude an adverse impact on the financial integrity of the WCF or other WCF customers, the WCF business entity may assess a charge to the customer to cover the cost of the modification.

3.8.4 The WCF business entity shall notify the customer on the status of their WCF customer order modification within 15 days of receipt. Depending upon the contract process, requirements, refinement and staffing that may be associated with the modification; the WCF business entity manager may require additional time to approve the modified customer order.

3.8.5 Upon acceptance of the modified customer order and signature by a WCF business entity manager, the WCF business entity provides signed copies of the customer order modification to the customer. Once the modification is accepted, the modified service shall begin immediately, consistent with the service start and service end dates.

3.9 Terminations of Customer Orders

3.9.1 Terminations by Customers.

3.9.1.1 Customers wishing to terminate a previously ordered service should notify and submit a customer order modification to the WCF business entity manager as soon as possible. The customer is liable for funding all costs associated with service delivery until termination, and may be held liable for part or all of any other termination costs incurred by the WCF business entity.

3.9.1.2 A WCF business entity requires a 30-day minimum advance notice for all service terminations to allow sufficient time to evaluate its impact. If there are expected adverse impacts on the financial integrity of the WCF or other WCF customers, the WCF business entity manager should raise the issue to the NASA CFO and WCF Corporate Board for review and consideration of the termination request.

3.9.1.3 The WCF business entity manager should provide an analysis of the impact of the terminated service on cost recovery as well as any proposed corresponding rate changes to the NASA CFO and WCF Corporate Board. The WCF Corporate Board shall review the situation; determine if the failure to purchase the service causes the WCF

business entity to experience a significant loss; and shall recommend a position on the termination request to the Center CFO for approval.

3.9.1.4 To avoid the negative consequence referenced above, discipline is required of all involved parties. WCF business entities must be prepared to meet service requests and consider this a contractual obligation. Customer organizations must also consider it a contractual obligation to honor previously agreed-to service levels. While dissatisfaction with the quality or cost of WCF services is a bona fide reason for dropping services, spontaneous reductions are not permitted.

3.9.2 Terminations By WCF Business Entity. There are two circumstances in which a WCF business entity may consider terminating services.

3.9.2.1 Termination Circumstance #1.

3.9.2.1.1 One circumstance for which a WCF business entity may terminate service involves the consumption of services by customers in excess of the amount ordered in their customer order during a given billing cycle. An example is if a customer order is based and priced on a specified level of service but the customer consistently demands a higher, or greater, level of service. In those circumstances, after processing the monthly status billing cycle, the WCF business entity should notify the customer and request a customer order modification to increase the order amount and funding. Customers are obligated to pay for all services delivered.

3.9.2.1.2 If the customer order modification is not received prior to the next status billing cycle (within 30 days), the WCF business entity manager should notify the WCF manager and may seek authorization from the WCF Corporate Board and Agency CFO to terminate the service. Once authorization is granted, the WCF business entity proceeds to terminate the service in accordance with associated vendor and other requirements. The customer is liable for funding all costs associated with service delivery until termination, and may be held liable by the WCF Board for part or all of any other termination costs incurred by the WCF business entities.

3.9.2.2 Termination Circumstance #2. In the second circumstance, if a WCF business entity determines that it is not in the best interest of the NASA to continue providing a particular service, the WCF business entity may recommend the termination of that line of business to the WCF Corporate Board. The WCF business entity must provide sufficient rationale and notice to the current customer base and the WCF Corporate Board on why the service should be terminated. Only after approval by the WCF Corporate Board and the Agency CFO may a WCF business entity discontinue the service.

3.10 Financial Information, Billing and Collection, Closeout

3.10.1 Revenue Recognition and Reimbursements.

3.10.1.1 A NASA WCF business entity shall bill its customers and recognize revenue at least monthly. The customer funding an order shall be billed for the revenue recognized, or when advance payments have been received, those advances shall be transferred to the appropriate revenue account. In no case shall the total amount of revenue recognized and billed exceed the amount of the customer order. A bill serves multiple purposes. First, it is the source document for use by the customer as a basis of recording cost information. Second, it is the source document for use by the performing WCF business entity to recognize and record revenue.

3.10.1.2 When a WCF business entity receives reimbursement in advance of performance, a bill must be prepared on a monthly basis so that costing information is available to the customer and revenue information is available to the WCF business entity for use in preparing monthly financial reports.

3.10.1.3 The WCF business entity's billing is based upon the price or rate for the good or service provided. The billing amount is not based upon the cost incurred by the performing NASA WCF business entity for the provided service. The price or rate is an amount established prior to performance that is deemed adequate to recover costs and working capital needs of the performing WCF business entity. Unless specifically approved by the NASA CFO, all WCF reimbursements should be received in advance of performance.

3.10.2 Financial Information. Information shall be reported to NASA project, functional, and enterprises on a timely basis at the order level so that all needed information is brought together to support proper management of WCF customer orders. Information on the status of advances and cost accruals shall be reported to WCF customers on a timely basis for each order and shall include the following data:

a. Customer Order Amount and Date. Copies of the customer order and information on the amount and date of the customer order.

b. Customer Deposits. Date and amount of customer deposits.

c. Billings and Collections. Date and amount of billings and collections received directly from customers.

d. Customer Order Completion Date. Date that work is completed.

e. Billing and Collection. Customer orders shall be billed, at a minimum, once every 30 days. Collections shall be immediately deposited to the NASA WCF appropriation.

3.10.3 Closeout.

3.10.3.1 The final status bill shall be submitted to the customer no later than 30 days after order completion date (goods and services are completed and delivered to customers or launched, etc).

3.10.3.2 The WCF shall bill customer order cancellation or reduction costs. When a customer order is modified, terminated or reduced in scope after a WCF business entity has commenced work or incurred costs on the customer order, the costs incurred, plus the applied overhead (that is, indirect and other normally allocated overhead, such as general and administrative (G&A) costs plus costs associated with the cancellation or reduction) shall be charged to the customer.

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