



# NASA Procedural Requirements

**COMPLIANCE IS MANDATORY**

**NPR 9260.1A**

Effective Date: February  
09, 2015

Expiration Date: February  
09, 2020

---

## Liabilities

**Responsible Office: Office of the Chief Financial Officer**

## Table of Contents

### Preface

- P.1 Purpose
- P.2 Applicability
- P.3 Authority
- P.4 Applicable Documents and Forms
- P.5 Measurement/Verification
- P.6 Cancellation

### Chapter 1 Overview

- 1.1 General
- 1.2 Agency Requirements
- 1.3 Roles and Responsibilities
- 1.4 Availability of Funds

### Chapter 2 Contingent Liabilities Generally

- 2.1 Contingency
- 2.2 Recognition of a Contingent Liability
- 2.3 Classification of Probability
- 2.4 Measurability
- 2.5 Materiality

### Chapter 3 Accounts Payable

- 3.1 General
- 3.2 Cross Reference to Current Policy
- 3.3 Accounts Payable in Closed Appropriation Accounts

### Chapter 4 Employee Benefits

- 4.1 Overview
- 4.2 Recognizing Liability for Pension Benefits
- 4.3 Recognizing Liability for Other Benefits

### Chapter 5 Environmental and Disposal Liability

- 5.1 General
- 5.2 Determining Environmental Cleanup Liability Probability
- 5.3 Determining Environmental Cleanup Liability Cost Estimates
- 5.4 Liability for Cleanup of General PP&E
- 5.5 Liability for Cleanup of Stewardship PP&E
- 5.6 Liability for Asbestos-Related Cleanup Cost
- 5.7 Environmental Liabilities for Restoration Projects
- 5.8 Roles and Responsibilities

5.9 Continuous Monitoring Program

**Chapter 6 Interest Payable**

6.1 Overview

6.2 Cross Reference to Current Policy

6.3 Recording Interest Payable

6.4 Reporting Interest Payable

**Chapter 7 Capital Lease Liability**

7.1 General

7.2 Cross Reference to Current Policy

**Chapter 8 Other Contingent Liability Matters**

8.1 Identification of Other Contingent Liabilities

8.2 Recording and Reporting Other Contingent Liabilities

**Chapter 9 Other Liabilities**

9.1 Overview

9.2 Recognizing Other Liabilities

9.3 Roles and Responsibilities

**APPENDIX A. Definitions**

**APPENDIX B. Acronyms**

**APPENDIX C. References**

## Preface

### P.1 Purpose

This National Aeronautics and Space Administration (NASA) Procedural Requirements (NPR) document provides the financial management requirements for handling the accounting for NASA financial liabilities.

### P.2 Applicability

a. This NPR is applicable to NASA Headquarters and NASA Centers, including Component Facilities and Technical and Service Support Centers.

b. In this directive, all mandatory actions (i.e., requirements) are denoted by statements containing the term "shall." The terms: "may" or "can" denote discretionary privilege or permission, "should" denotes a good practice and is recommended, but not required, "will" denotes expected outcome, and "are/is" denotes descriptive material. This language applies to the Jet Propulsion Laboratory (JPL), other contractors, grant recipients, or parties to agreements only to the extent specified or referenced in the appropriate contracts, grants, or agreements.

c. In this directive, all document citations are assumed to be to the latest version unless otherwise noted.

### P.3 Authority

a. Chief Financial Officers (CFO) Act of 1990, Public Law 101-576, 31 United States Code (U.S.C.) § 902.

b. National Aeronautics and Space Act, 51 U.S.C. §20101, et seq.

c. NASA Policy Directive (NPD) 9010.2, Financial Management.

### P.4 Applicable Documents and Forms

a. Deductions, contributions, and deposits, 5 U.S.C. § 8334.

b. Government contributions, 5 U.S.C. § 8423.

c. Federal Employee Compensation Account, 5 U.S.C. § 8509.

d. Government contributions, 5 U.S.C. § 8708.

e. Contributions, 5 U.S.C. § 8906.

f. Limitations on expending and obligating amounts, 31 U.S.C. § 1341.

g. Procedure for appropriation accounts available for definite periods, 31 U.S.C. § 1552.

h. Prompt Payment, 31 U.S.C. §3901 et seq.

i. Office of Management and Budget (OMB) Circular No. A-11, Preparation, Submission, and Execution of the Budget.

j. OMB Circular No. A-136, Financial Reporting Requirements.

k. NPR 9010.2, The Continuous Monitoring Program (CMP) and Financial Management Operating Procedures.

l. NPR 9250.1, Property, Plant, and Equipment and Operating Materials and Supplies.

m. NPR 9615.1, Accounts Payable.

n. NPR 9631.1, Disbursements.

o. Statement of Federal Financial Accounting Standard (SFFAS), No. 1 Accounting for Selected Assets and Liabilities, as amended.

p. SFFAS No. 5, Accounting for Liabilities of the Federal Government, as amended.

q. SFFAS No. 6, Accounting for Property, Plant, and Equipment, as amended.

r. SFFAS No. 39, Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards.

s. Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4200, Agency Reporting on Unexpended Balances of Appropriations and Funds.

## **P.5 Measurement/Verification**

Quality control reviews and analysis of financial and budgetary reports and data submitted through the CMP will be used to measure compliance with this NPR.

## **P.6 Cancellation**

NPR 9260.1, Revenue, Unfunded Liabilities, and Other Liabilities, dated September 30, 2008.

## Chapter 1 Overview

### 1.1 General

1.1.1 This NPR describes the accounting procedures for recognizing and disclosing NASA liabilities in accordance with SFFASs No. 1 and No. 5, as amended, which describe the general principles governing the recognition of a liability. NASA financial statements will recognize probable and measurable future outflows or other sacrifices of resources arising from:

- a. Past exchange transactions.
- b. Government-related events.
- c. Government-acknowledged events.
- d. Non-exchange transactions that, pursuant to applicable law and current policy, are unpaid amounts due as of the reporting date.

1.1.2 This NPR includes cross references to relevant portions of other NPRs that currently address accounting for specific types of liabilities.

1.1.3 NASA shall follow the requirements of SFFAS No. 39 with respect to reporting information regarding events that occur subsequent to the reporting period but before the financial report is issued.

### 1.2 Agency Requirements

1.2.1 Accounting for NASA liabilities will be conducted in accordance with Department of Treasury policies and procedures and applicable Statements of Federal Accounting Standards and Statements of Federal Financial Accounting Concepts.

### 1.3 Roles and Responsibilities

1.3.1 Agency Chief Financial Officer (CFO). Agency CFO shall be responsible for complete and accurate reporting of liabilities and ensuring compliance with U.S. Government requirements.

1.3.2 Director, Financial Management Division (FMD), Agency OCFO. Director, FMD, Agency OCFO shall prepare and submit to the Agency CFO reports on liabilities in accordance with U.S. Government requirements.

1.3.3 NASA Shared Services Center (NSSC) and NASA Centers. NSSC and NASA Centers shall record liabilities transactions in accordance with U.S. Government requirements.

### 1.4 Availability of Funds

1.4.1 In all cases, recognition of a liability will not be based on the possible future availability of funds, because there can be no guarantee that funds will be appropriated in the future. All liabilities meeting the requirements described in this NPR will be properly recorded in the system of record and reported to all concerned parties as set out in this NPR, whether the liability is funded or unfunded.

## Chapter 2 Contingent Liabilities Generally

### 2.1 Contingency

2.1.1 This chapter describes the accounting procedure for recognizing and disclosing NASA's contingent liabilities.

2.1.2 A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur.

2.1.3 Resolution of the uncertainty may confirm a gain (reduction of liability) or a loss (increase in liability).

2.1.4 Legal action, with a potential negative outcome for NASA, can create a contingent liability that will be recognized in the Agency's financial statements.

### 2.2 Recognition of a Contingent Liability

2.2.1 A contingent liability should be recognized and recorded in NASA's general ledger when four conditions are met. These conditions are:

- a. A past event or exchange transaction has occurred that gives rise to a liability.
- b. A future outflow or other sacrifice of resources is probable.
- c. The future outflow of resources is measurable.
- d. The amount of the future outflow of resources is material within the context of the financial statements for the applicable NASA account.

2.2.2 Liability amounts classified as probable, measurable and material are recognized in NASA's integrated accounting systems and reported on the consolidated balance sheet.

### 2.3 Classification of Probability

2.3.1 A future outflow of resources is "Probable" if the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future outflow of resources is "Probable" if the future confirming event or events are likely to occur. Amounts classified as probable, but not measurable, are disclosed in the footnotes to the financial statements. Disclosure should include the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made.

2.3.2 A future outflow of resources is "Reasonably Possible" if the likelihood of the future confirming event or events is less than "Probable" but more than "Remote." Amounts classified as reasonably possible are disclosed in the footnotes to the financial statements under the same disclosure standard as in Section 2.3.1 of this NPR.

2.3.3 A future outflow of resources is "Remote" if the likelihood of the future confirming event or events is slight. Amounts classified as remote are not included in the financial reports.

### 2.4 Measurability

2.4.1 Liability is measurable if it has a relevant attribute that can be quantified in monetary units with sufficient reliability to be reasonably estimable.

2.4.2 Liabilities reported in the financial report are measured by different attributes specified by various accounting standards (e.g., fair market value, current cost, present value, and historical cost).

2.4.3 The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized (posted to the general ledger) and the range and a description of the contingency should be disclosed in the notes to the financial statements.

### 2.5 Materiality

2.5.1 The recognition and disclosure of liability cost estimates in financial statements is subject to materiality criterion. SFFAS No. 1 states, "Materiality depends on the degree to which omitting or misstating information about an item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement."

2.5.2 Materiality has both quantitative and qualitative aspects. Even though quantitatively immaterial, certain types of misstatements could have a material impact and warrant disclosure in the financial statements for qualitative reasons.

2.5.3 The determination of materiality requires the application of professional judgment. The determination of materiality for any liability estimate will be made based on the specific facts of the case. Detailed records will be maintained to support all materiality decisions.

## Chapter 3 Accounts Payable

### 3.1 General

3.1.1 NASA will recognize accounts payable in accordance with SFFASs No. 1 and No. 5, as amended, for both intragovernmental and public accounts payable.

3.1.2 An accounts payable for unpaid amounts will be recognized upon receipt of services or when accepting title to goods, whether the goods are delivered or in transit. If invoices are not available, the amount owed will be estimated.

3.1.3 Amounts recorded as payables will be supported by documentation that clearly shows the basis for the amount recorded as a payable and the terms upon which payment is to be made.

3.1.4 NASA will not delay the recognition of a liability based on the availability of funds.

3.1.5 NASA will disclose the accounts payable not covered by budgetary resources.

### 3.2 Cross Reference to Current Policy

3.2.1 For additional information on general requirements for accounts payable see NPR 9615.1, "Accounts Payable."

### 3.3 Accounts Payable in Closed Appropriation Accounts

3.3.1 Pursuant to 31 U.S.C. §1552, an appropriation account available for a definite period is to be closed and any remaining balances in the account are to be canceled on September 30 of the fifth fiscal year after the period of availability for obligation of the appropriation. Canceled balances are not available for obligation or expenditure for any purpose. An appropriation account may also be closed and balances canceled, in whole or in part, by legislative action.

31 U.S.C. § 1341 continues to apply to canceled appropriation accounts.

3.3.2 NASA will cancel any accounts payable balance remaining on a legitimate obligation at the time the appropriation account is closed. NASA will adhere to OMB Circular A-11 and Treasury Financial Manual Volume I, Part 2, Chapter 4200 when canceling accounts payable in closing appropriation accounts.

3.3.3 After an appropriation account is closed, valid canceled accounts payable may be paid from an unexpired account available for the same purpose as the closed account. OMB Circular A-11 limits the amount of funds in unexpired accounts that can be used to pay obligations against canceled appropriation accounts to one percent of the appropriation in the unexpired account.

3.3.4 Prior to the cancellation, NASA will:

- a. Identify and validate accounts payable in the closing appropriation account.
- b. Identify unexpired accounts from which it is permissible, both as to purpose and amount, to make payments that would have been chargeable to the canceled appropriation account.
- c. Determine the total amount of such payments that may be made consistent with OMB Circular A-11 and 31 U.S.C. § 1341.

3.3.5 NASA will identify and monitor all payments of accounts payable from canceled appropriation accounts to ensure that all payments are consistent with OMB Circular A-11 and the Antideficiency Act.

## Chapter 4 Employee Benefits

### 4.1 Overview

4.1.1 This chapter prescribes the procedures for recording and reporting liabilities associated with NASA employees' benefits. These benefits include life and health insurance, retirement, and other benefits.

4.1.2 NASA will recognize its share of the costs of providing pension benefits, health and life insurance benefits, and annual leave to its employees.

4.1.3 NASA will record its share of expenses for providing pension and post-retirement health benefits and life insurance to its future retirees. Factors used in the calculation of these expenses are provided by the Office of Personnel Management (OPM).

### 4.2 Recognizing Liability for Pension Benefits

4.2.1 Civil Service Retirement System (CSRS). NASA will contribute biweekly amounts, equal to employee deductions, from the appropriation or fund used to pay the employee, pursuant to 5 U.S.C. § 8334. The NASA and employee's contributions will be deposited in the U.S. Treasury to the credit of the Civil Service Retirement Fund. At year end, an appropriate journal entry will be prepared to record NASA's accrued CSRS pension liability.

4.2.2 Federal Employee Retirement System (FERS). NASA will contribute biweekly amounts, pursuant to 5 U.S.C. § 8423, from the appropriation or fund used to pay the employee. The NASA and employee's contributions will be deposited to the U.S. Treasury to the credit of the Federal Employee Retirement Fund. At year end, an appropriate journal entry will be prepared to record NASA's accrued FERS pension liability.

### 4.3 Recognizing Liability for Other Benefits

4.3.1 Federal Employees' Compensation Account (FECA). The Department of Labor administers FECA, which provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. Pursuant to 5 U.S.C. § 8509, NASA will make deposits each calendar quarter into the FECA Account. NASA's FECA liability also includes the actuarial liability of estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases.

4.3.2 Health Benefits. Pursuant to 5 U.S.C. § 8906, NASA will pay up to 75 percent of the health benefits subscription charges established by OPM as the biweekly contribution for an employee or annuitant enrolled in a health benefit plan procured by the Federal Government. At year end, an appropriate journal entry will be prepared to record NASA's accrued health benefits liability.

4.3.3 Group Life Insurance Benefits. Pursuant to 5 U.S.C. § 8708, each payroll period that an employee is insured, NASA will pay one half the amount that is withheld from the pay of the employee toward the cost of the group life insurance and accidental death and dismemberment insurance from the appropriation used to pay the employee. At year end, an appropriate journal entry will be prepared to record NASA's accrued life insurance liability.

4.3.4 Annual Leave Benefits. NASA will make biweekly contributions for these benefit costs and will accrue such costs at year end for any existing liabilities for these benefits. NASA will adjust accrued annual balances at the end of the fiscal year to reflect current pay rates for employee annual leave that has been earned, but not yet taken. If current appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

## Chapter 5 Environmental and Disposal Liability

### 5.1 General

5.1.1 NASA will recognize a financial liability for environmental cleanup costs that meet the requirements of section 2.2.2 of this NPR. In the case of cleanup as an ongoing part of operations (i.e., the operation or activity generates hazardous waste that is cleaned up as it is created), a liability may not need to be recognized if the need for cleanup and the full cleanup occur in the same reporting period. However, the total cost of cleanup should be recognized in the period the cleanup need arises.

### 5.2 Determining Environmental Cleanup Liability Probability

5.2.1 NASA shall consider several key factors in determining whether a future outflow of resources for environmental cleanup is "probable." The factors are:

- a. **Likely Contamination.** NASA will exercise due care to determine if contamination is present or likely to be present on its property, plants, and equipment. If it is determined that contamination is unlikely to exist, the probable standard is not met.
- b. **NASA Related and Legally Liable.** If contamination is determined likely to be present, a determination will be made as to whether NASA is liable for the cleanup. Contamination is NASA related if it was caused or contributed to by NASA operations or is present on NASA facilities or property. The probable standard is met if it is more likely than not that NASA will be held legally liable for cleanup.
- c. **NASA Acknowledged Financial Responsibility.** If the contamination is not NASA related, NASA will determine if it has the authority to accept financial responsibility for the cleanup. If NASA does not, or cannot, accept financial liability, the probable standard is not met.
- d. **Monies Appropriated/Transaction Occurred.** In cases of NASA acknowledged financial responsibility, the probable standard is met, for financial reporting purposes, only to the extent that funds have been appropriated or authorized, an exchange or non-exchange transaction has occurred, and an unpaid balance remains as of the end of the reporting period. For example, if NASA agrees to provide \$100,000 to address environmental liability that is not NASA-related and executes a contract for \$80,000 (exchange transaction) for cleanup services, the cleanup services have been rendered, and payments under the contract total \$50,000, then liability will be recognized in the same period as the services are rendered, and in the same amount as the unpaid value of the services rendered (\$30,000).
- e. **No Known Remediation Technology Exists.** For NASA-related contamination, if no known remediation technology exists, the probable standard is not met for the full remediation. However, the probable standard is met for known costs for which NASA is responsible (e.g., Remedial Investigation/Feasibility Study (RI/FS), other studies, containment, and monitoring costs).

### 5.3 Determining Environmental Cleanup Liability Cost Estimates

5.3.1 In determining whether probable cleanup liability is reasonably estimable, NASA will consider whether an RI/FS or other study has been conducted, whether NASA has experience with cleanup of similar sites or conditions, and whether remediation technology exists.

5.3.2 Cleanup liability is reasonably estimable if (a) an RI/FS or other study has been conducted or NASA has experience with cleanup of similar sites or conditions and (b) remediation technology exists.

5.3.3 The reasonably estimable standard is not met if (a) an RI/FS or other study has not been conducted and NASA does not have experience with cleanup of similar sites or conditions or (b) no known remediation technology exists.

5.3.4 Liability cost estimates may be prepared at the Center or other organizational level. Cost estimates prepared for this purpose should consider the anticipated costs of the level of effort required to cleanup (i.e., remediate, contain, or dispose of) hazardous waste, or contamination resulting from past transactions in accordance with applicable Federal, state, and local requirements.

5.3.5 Liability cost estimates will be revised when there is evidence that significant changes in the cost estimates have occurred due to new information about inflation, deflation, changes in applicable law or regulations, plan, technology, and/or funds expended for cleanup.

5.3.6 Liability cost estimates are subject to audit. The preparation of cost estimates may involve the application of specialized tools, methods, accumulation and study of historical costs, and/or the conduct of technical analyses. Organizations that prepare cost estimates will retain adequate supporting documentation to identify data sources,

estimating methods, rationale used, and the results of management reviews.

5.3.7 Liability cost estimates should be offset by estimated cash proceeds only when the proceeds are permitted to be used by the organization that funds the cleanup costs.

5.3.8 As cleanup costs are paid, payment will be recognized as a reduction in the liability for cleanup costs. These include the cost of property, plant, and equipment (PP&E) or other assets acquired for use in cleanup activities. While the commitment of funds to cleanup activities adjusts the estimate of the remaining unfunded liability, the funded liability remains until remedial action is executed and paid.

## **5.4 Liability for Cleanup of General PP&E**

5.4.1 The estimated total cleanup cost will be:

- a. Estimated when the associated PP&E is placed in service.
- b. Based on the current estimated acquisition cost of the PP&E involved.

5.4.2 Liability for cleanup costs related to the operation of general PP&E will be recognized in a systematic and rational manner based on use of the physical capacity of the associated PP&E or over the estimated useful life of the associated PP&E. General PP&E cleanup cost liability only includes cleanup of the PP&E asset itself. Cleanup cost liability for any hazardous waste released into the surrounding environment will be estimated and reported separately. This allocation of the total estimated cleanup costs over the use of the physical capacity or estimated useful life of the PP&E also results in the periodic recognition of the expense associated with cleanup liability.

## **5.5 Liability for Cleanup of Stewardship PP&E**

5.5.1 The total estimated cleanup costs associated with stewardship PP&E will be recognized as a liability and expense in the period that the stewardship asset is placed in service.

5.5.2 The liability will be adjusted when the estimated total cleanup costs are re-estimated, as described in Section 5.3.5 of this NPR.

## **5.6 Liability for Asbestos-Related Cleanup Cost**

5.6.1 The estimated cleanup costs associated with both friable and nonfriable asbestos will be recognized as a liability and related expense when the cleanup costs are both probable and reasonably estimable.

5.6.2 Asbestos-related cleanup costs that are probable but not reasonably estimable will be disclosed in a note to the financial statements.

5.6.3 A liability need not be reflected for cleanup of materials containing nonfriable asbestos that, when repaired, renovated, removed, contained, disposed of, or otherwise disturbed, do not become friable and do not require greater than routine costs to handle.

## **5.7 Environmental Liabilities for Restoration Projects**

5.7.1 Cleanup cost estimates for restoration projects will be developed in the year the hazardous condition is identified.

5.7.2 Cleanup cost estimates will be validated and reviewed periodically.

5.7.3 Restoration project cost estimates will be recorded in NASA's approved environmental cost tracking system.

5.7.4 The Center Environmental Management Offices (CEMOs) are the official depository for records, both electronic and hardcopy that support estimates for restoration project environmental liabilities. Summarized data submitted through the CEMOs to the Center Chief Financial Officer Offices (CCFOOs) for recording and disclosure should be supported by the official records.

## **5.8 Roles and Responsibilities**

5.8.1 The following offices support NASA's Unfunded Environmental Liability estimation efforts related to restoration projects:

- a. Agency Environmental Management Division (EMD).
- b. Agency Office of Chief Financial Officer (OCFO).
- c. Center Environmental Management Office (CEMO).

d. Center Chief Financial Officer Office (CCFOO).

5.8.2 Center Environmental Management Offices (CEMOs) are responsible for:

a. Estimating, documenting, and processing changes to environmental liability estimates for restoration projects in NASA's approved environmental cost tracking system. CEMOs are also responsible for creating estimates of environmental liabilities outside of the approved system and uploading it to the system for review and documentation in accordance with the procedures established by Agency EMD and Agency OCFO. The CEMOs shall have the authority to delegate these responsibilities to the respective Restoration Project Managers (RPMs).

b. Participating with the CCFOO in a Center review of environmental liability estimates.

c. Specific restoration projects identified by Agency EMD and Agency OCFO, participating in the review of environmental liability estimates with the offices listed in Section 5.8.1 of this NPR during annual updates.

5.8.3 Agency EMD. Agency EMD is responsible for managing the Environmental Compliance and Restoration Program and providing guidance on NASA environmental liability procedures to the CEMOs. Headquarters EMD is also responsible for:

a. Initiating the annual process to update the environmental liability estimates.

b. Providing initial review of environmental liability estimates for completeness.

c. Providing management review for reasonableness and accuracy through EMD Advocate participation on the review efforts by the offices listed in Section 5.8.1 of this NPR.

d. Coordinating with Agency OCFO to finalize and record the environmental liability estimate and footnote disclosures.

e. Managing, providing training for, and supporting NASA's environmental cost tracking system.

5.8.4 Center Chief Financial Officer Office. The CCFOO shall:

a. Participate with the CEMO in a Center review of the environmental liability estimates. For specific restoration projects identified by Agency EMD and Agency OCFO, the Center review shall occur at least one-week prior to the joint review.

b. Participate in a joint review of environmental liability estimates conducted by the offices listed in Section 5.8.1.

c. Record the approved environmental liability estimates in NASA's integrated accounting system.

5.8.5 Agency OCFO. Agency OCFO shall:

a. Establish financial accounting policy for environmental liability estimates.

b. Provide guidance and clarification on policies to the NASA Centers.

c. Participate in the joint review of the environmental liability estimates.

d. Notify CCFOOs to record the environmental liability estimates in the Agency integrated accounting system.

## **5.9 Continuous Monitoring Program**

5.9.1 For detailed verification, reconciliation, and validation of unfunded environmental liabilities, please refer to NPR 9010.2, The Continuous Monitoring Program and Financial Management Operating Procedures, and the specific control activities described in the NASA CMP.

## **Chapter 6 Interest Payable**

### **6.1 Overview**

6.1.1 This chapter prescribes the procedures for recording and reporting NASA interest payable.

6.1.2 NASA will record interest payable in accordance with SFFASs No. 1 and No. 5, as amended and report interest payable in accordance with OMB Circular A-136.

6.1.3 Interest payable may result from late payment of invoices to the public.

### **6.2 Cross Reference to Current Policy**

6.2.1 For additional information on general requirements for interest payable, see NPR 9631.1, "Disbursements."

### **6.3 Recording Interest Payable**

6.3.1 NASA will record interest payable in its Standard General Ledger liability account for the amount of interest expense incurred and unpaid as of the reporting date.

6.3.2 NASA will record interest payable on late payment of bills, as required by 31 U.S.C. Chapter 39.

6.3.3 The interest rate in effect on the day after the payment due date will be used to calculate the interest penalty payable. Prior to calculating the interest penalty payable, NASA personnel shall refer to the Treasury Bureau of the Fiscal Service Web site under Prompt Pay Rate to ensure use of the appropriate interest rate.

### **6.4 Reporting Interest Payable**

NASA will report interest payable as Federal or non-federal liabilities. NASA will include information on interest payable in footnote disclosures in accordance with OMB Circular A-136.

## **Chapter 7 Capital Lease Liability**

### **7.1 General**

7.1.1 NASA will record and report capital lease liability in accordance with SFFASs No. 5 and No. 6, as amended, and OMB Circular A-136.

7.1.2 A lease should be classified as a capital lease if, at its inception, one or more of the following criteria are applicable:

- a. The lease transfers ownership to NASA at the end of the term.
- b. The lease contains an option to purchase the leased property at a bargain price.
- c. The non-cancelable length of the lease is equal to or greater than 75 percent of the estimated economic life of the leased property.
- d. The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the leased property.

7.1.3 Criteria "c" and "d" of paragraph 7.1.2 are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.

7.1.4 The amount to be recorded as a liability is the present value of the rental and other minimum lease payments during the term, excluding that portion of the payments representing executory cost or the fair value of the leased property, whichever is less.

### **7.2 Cross Reference to Current Policy**

7.2.1 For additional information on accounting policies for capital leases, see Chapter 6 of NPR 9250.1, Property, Plant, and Equipment and Operating Materials and Supplies.

## Chapter 8 Other Contingent Liability Matters

### 8.1 Identification of Other Contingent Liabilities

8.1.1 During each quarter as required under OMB Circular A-136, Agency OCFO and the Agency Office of the General Counsel (OGC) will coordinate collection from the Office of Chief Counsel (OCC) at each Center, information relating to all measurable and material pending or threatened litigation, claims, and assessments, including cases to be paid from the Judgment Fund against NASA. These matters may include claims or threatened claims, based on employment, contract, or personal conduct actions by NASA or its personnel, accidents, or other events. Agency OCFO and OGC will coordinate consolidation of Center and Agency-level information regarding these matters into a single report by the last day of the quarter.

8.1.2 The data are summarized into three categories: Probable, Reasonably Possible, and Remote. With the exception of pending or threatened litigation and unasserted claims, "probable" means "that it is" more likely than not "that NASA will have to make a payment." For pending or threatened litigation and unasserted claims, "probable" means "likely." See Section 2.3 of this NPR for definition of probable, reasonably possible, and remote.

8.1.3 Materiality considerations. In accordance with SFFAS 12, Paragraph 8 and Section 2.5 of this NPR the requirements for recognizing or disclosing contingent liabilities for pending or threatened litigations and unasserted claims are not applicable to immaterial items. As stated in Section 2.5.2 of this NPR, while determining the materiality of contingent liabilities arising out of pending or threatened litigations or unasserted claims, both qualitative and quantitative aspects of the materiality should be evaluated to determine whether a liability should be recognized and/or disclosed in the financial statements.

### 8.2 Recording and Reporting Other Contingent Liabilities

8.2.1 A summary of commitments and contingencies is reported annually by each CCFOO and included as a line item or footnote in the official Government-wide trial balance system and NASA's annual financial statements. This data reflects NASA's position at the end of the fiscal year. The data includes all Agency financial commitments and contingencies stated at the maximum limit of risk.

## **Chapter 9 Other Liabilities**

### **9.1 Overview**

9.1.1 This chapter prescribes procedures for handling the accounting for other liabilities not otherwise classified in this NPR for which no budgetary obligation exists.

### **9.2 Recognizing Other Liabilities**

9.2.1 NASA will recognize a liability for amounts received in advance for future delivery of goods or services in the amount of revenue that has not been earned. This applies whether or not the revenue is classified as an advance or prepayment.

9.2.2 NASA will report intragovernmental liabilities separately from those due the public.

9.2.3 NASA will recognize a liability for amounts in clearing accounts or suspense accounts that are awaiting disposition or reclassification.

9.2.4 NASA will recognize a liability for deposits held and maintained on behalf of a third party. This includes undeposited collections, as well as collections on deposits awaiting disposition.

### **9.3 Roles and Responsibilities**

9.3.1 Agency CFO. Agency CFO shall be responsible for reporting other liabilities in compliance with U.S. Treasury and other U.S. Government requirements.

9.3.2 Director, FMD, Agency CFO. Director, FMD, Agency CFO shall prepare and submit to the NASA CFO reports on other liabilities that are in compliance with U.S. Government requirements.

9.3.3 NSSC and NASA Centers. NSSC and NASA Centers shall record other liabilities in accordance with U.S. Government requirements.

## Appendix A. Definitions

**Accounts Payable.** The amounts owed by NASA for goods and services received from other entities, progress in contract performance made by other entities, and rents due to other entities. This includes amounts payable from canceled appropriations.

**Cleanup Costs.** Cleanup costs are the costs of removing, containing, and/or disposing of (1) hazardous waste from property or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E. Cleanup may include, but is not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs.

**Contingency.** Contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity which will ultimately be resolved when one or more future events occur or fail to occur.

**Contingent Liabilities.** Contingent Liabilities represents the amount that is recognized as a result of a past event where a future outflow or other sacrifice of resource is probable and measurable.

**EMD Advocate.** Agency-level individual or environmental specialist assigned with oversight responsibility for Center environmental cleanup projects.

**Estimated Cleanup Cost Liability.** Estimated Cleanup Cost Liability represents the estimated liability for projected future cleanup costs (not yet due and payable) associated with removing, containing, and/or disposing of (1) contamination or hazardous waste from property or (2) material and/or property consisting of hazardous waste or other environmentally regulated substances at permanent closure, temporary closure, or shutdown of the associated property, plant, and equipment.

**Exchange Transaction.** A transaction in which one party sacrifices value and receives a valuable good or service in return.

**Hazardous Waste.** Hazardous waste is a solid, liquid, or gaseous waste or combination of these wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may cause or significantly contribute to an increase in mortality or an increase in a serious irreversible or an incapacitating reversible illness or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed. Asbestos (friable and nonfriable) are considered hazardous waste for purposes of this policy and proper accounting treatment.

**Interest Payable.** Interest incurred, but unpaid on liabilities of NASA.

**Liability.** Liability is a future outflow or other sacrifice of resources as a result of past transactions or events.

**Liability Disclosure.** Disclosed Liability means the reporting of a liability in the notes that are an integral part of the financial statements. (Source: FASAB Consolidated Glossary).

**Liability Recognition.** Recognized Liability means the formal recording or incorporating of a liability amount into the financial statements of the Agency. (Source: FASAB Consolidated Glossary).

**Noncancelable.** A PP&E lease is considered noncancelable if it can only be canceled under one of the following conditions: (1) upon occurrence of a remote contingency, (2) with the permission of the lessor, (3) the lessee enters into a new lease with the same lessor, or (4) the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured.

**Other Liabilities.** Other liabilities include measurable and probable expected future outflows of resources resulting from past transactions or events and the estimated costs of conditions, situations, or circumstances that will be resolved in the future. These liabilities may arise from receipt of revenue or income that has not been earned, receipt of fiduciary or other collections that have not been deposited or cleared, and other liabilities not otherwise classified for which no budgetary obligations exist.

**Probable.** With the exception of pending or threatened litigation and unasserted claims, probable is defined as that which can reasonably be expected or believed to be more likely than not on the basis of available evidence or logic and includes amounts where there is a more than 50 percent chance of payment being made. For pending or threatened litigation and unasserted claims, probable means the future confirming event or events are likely to occur. The probability of a future outflow or other sacrifice of resources is assessed on the basis of current facts and circumstances. These current facts and circumstances include the law that provides general authority for Federal entity operations and specific budget authority to fund programs.

**Property, Plant, and Equipment (PP&E).** Tangible assets that (1) have an estimated useful life of two or more years, (2) are not intended for sale in the ordinary course of operations, and (3) have been acquired or constructed with the intention of being used, or being available for use, by the entity. General PP&E are used to provide general

Government services or goods. Stewardship PP&E includes PP&E that are an integral part of the output of certain unique Federal Government missions (Federal mission PP&E), assets possessing significant educational, cultural, or natural characteristics (heritage assets), and land other than that included in General PP&E (stewardship land).

**Reasonably Possible.** Reasonably Possible means the chance of the future confirming event or events occurring is more than remote, but less than probable.

Remote. Remote means the chance of the future event or events occurring is slight.

## Appendix B. Acronyms

AICPA	American Institute of Certified Public Accountants
CCFOO	Center Chief Financial Officer Offices
CEMO	Center Environmental Management Office
CFO	Chief Financial Officer
CMP	Continuous Monitoring Program
CSRS	Civil Service Retirement System
EMD	Environmental Management Division
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employee Retirement System
FFAA	Federal Financial Accounting and Auditing
FMD	Financial Management Division
NASA	National Aeronautics and Space Administration
NPD	NASA Policy Directive
NPR	NASA Procedural Requirement
NSSC	NASA Shared Services Center
OCC	Office of Chief Counsel
OCFO	Office of the Chief Financial Officer
OGC	Office of the General Counsel
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PP&E	Property, Plant and Equipment
RI/FS	Remedial Investigation/Feasibility Study
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standard
U.S.C.	United States Code
USSGL	United States Standard General Ledger

## Appendix C. References

- C.1 31 U.S.C. Chapter 13, The Budget Process: Appropriations (including Antideficiency Act requirements).
- C.2 31 U.S.C. Chapter 15, The Budget Process: Appropriations Accounting (including Antideficiency Act requirements).
- C.3 OMB Circular No. A-134, Financial Accounting Principles and Standards. Establishes the policies and procedures for approving and publishing financial accounting principles and standards. Also establishes policies to be followed by Executive Branch agencies and OMB in seeking and providing interpretations and other advice related to the standards.
- C.4 NPR 9310.1, Financial Management Reports - Accounting.
- C.5 Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, Objectives of Federal Financial Reporting.
- C.6 SFFAC No. 2, Entity and Display.
- C.7 SFFAC No. 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements.
- C.8 Statement of Federal Financial Accounting Standards (SFFAS) No. 12, Recognition of Contingent Liabilities Arising From Litigation.
- C.9 Interpretation of Federal Financial Accounting Standards 2: Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5.
- C.10 Federal Accounting Standards Advisory Board (FASAB), Technical Bulletin 2006-1, "Recognition and Measurement of Asbestos-Related Cleanup Costs."
- C.11 Federal Financial Accounting and Auditing (FFAA) Technical Release 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.
- C.12 FFAA Technical Release 10: Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment.
- C.13 FFAA Technical Release 11: Implementation Guidance on Cleanup Costs Associated with Equipment.
- C.14 C.14. FFAA Technical Release 14: Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment.
- C.15 Treasury Financial Manual (TFM) Bulletin 2013-04, Revised Policy for Intragovernmental Transactions (IGTs) for Fiscal 2013 Reporting, Including Implementation of Metrics and Scorecards.
- C.16 TFM, Supplement No. S2, United States Standard General Ledger.
- C.17 American Institute of Certified Public Accountants (AICPA), Statement of Position 96-1, "Environmental Remediation Liabilities," dated October 10, 1996.
- C.18 NPD 8730.5, NASA Quality Assurance Program Policy.