



Langley Research Center

LPR 9060.1

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Cost Accrual Guidelines

National Aeronautics and Space Administration

Office of Primary Responsibility: Office of the Chief Financial Officer (OCFO)

PREFACE

Purpose

This Langley Procedural Requirements (LPR) provides guidance for the recognizing and recording of costs at Langley Research Center. This LPR should help those Langley managers, who monitor the status of funding, understand how their funds are costed, and the methods used in identifying and recording costs.

Questions regarding the cost accrual guidelines should be directed to the Deputy Chief Financial Officer for Finance (DCFO (F)) at extension 42075.

Applicability

This LPR is applicable to Langley Research Center.

Authority

31 United States Code 3512(e) (Federal Law). Federal Law mandates accrual accounting

References

NASA Financial Management Manual (FMM) 9010, "Objectives and Policies of Financial Accounting and Reporting"

NASA FMM 9060, "Accrual Accounting"

NASA Procedural Requirements (NPR) 9501.2, "NASA Contractor Financial Management Reporting"

Cancellation

LAPG 5130.1, "Cost Accrual Guidelines," dated February 2, 2002.

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1. Introduction

Throughout NASA, cost is used as one of the many program performance measurements. As a result, program/project decisions are often dependent on the amount of cost reflected in the Center's official accounting records. Therefore, cost figures have received much scrutiny and must be as accurate as possible in order to support sound program/project management decisions. All program/project managers, resource managers, or other personnel who monitor the status of program/project funding should use this guide to fully understand how their funds are costed. For the purposes of this document, the term "costing" is defined as the recording of expenses into the Financial Management System (FMS).

NASA uses the accrual basis of accounting, which is directed by the NASA FMM 9060, "Accrual Accounting" (<http://www.hq.nasa.gov/fmm/>). While the FMM outlines the basic principles for recognizing and recording cost, many of the details on how to implement the policy must be further clarified in Center guidelines. This document provides such guidelines.

2. Costing Linkage

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 order to ensure a more accurate and equitable cost distribution if no specific linkage is indicated, then based on the normal business flow, the typical or logical linkage anticipates the following:

- a. Prior year funds
- b. Current year funds

If there is no specific linkage, then costs to be accrued on a contract will be prorated among all programs based on uncoded obligations (obligations minus costs), using the above priorities. Tasks within a contract will also be costed with these same guidelines.

3. Methods of Costing

Langley Research Center follows several methods of identifying and recording costs. Such methods can be grouped into nine categories: Purchase Orders, Contracts, Grants, Bankcards, Government Bills of Lading (GBL), Utilities, Payroll, Travel, and Stock.

3.1. Purchase Orders, FMM 9060

3.1.1. Non-government

Purchase Orders can be costed based on Receipt and Inspection (R&I) reports, invoices, and monthly and quarterly analyses.

- a. R&I reports – initiated upon receipt of the deliverable item or good (including capitalized equipment); cost should be recorded when a R&I is received within Financial Management.
- b. Invoices – cost should be recorded when a valid invoice is received; advance payments (also called prepayments) are not fully costed at time of payment, cost is accrued over the period of performance.
- c. Monthly – purchase orders less than \$10K should be costed using an automated cost system. (Refers to those purchase orders that are uncoded, 60 days after obligation.)
- d. Quarterly - uncoded obligation reviews may result in the recording of cost (based on period of performance)

3.1.2. Other Government Agencies

- a. Costed upon receipt of invoice/billing
- b. National Science Foundation (NSF) – purchase orders with the NSF are recorded in the Financial Management System as information is received from NSF. The NSF was identified as a significant trading partner in an April 14, 2000 memorandum entitled “Intra-governmental Reconciliation’s”. NSF has agreed to provide a monthly listing of obligations, cost and disbursements incurred on NASA agreements. This listing is to be used as the basis for recording costs and liquidating (disbursing) advances on NSF agreements.

3.1.3. Year-End (September)

- a. Cost is accrued on those invoices and vouchers received on or before the fiscal year-end to be paid in October, for work performed and completed prior to September 30.

3. 2. Contracts

3.2.1. Cost-Type

- a. Per NPR 9501.2, "NASA Contractor Financial Management Reporting," the Contractor Financial Management Report, NASA Form 533 (NF 533) is required for cost-type contracts valued over \$500K.
- b. Upon receipt of the NF 533 for contracts valued over \$500K, cost is accrued before the end of each month using the cumulative actual cost and current month estimate to arrive at the cumulative accrued cost in the accounting system.
- c. Contracts valued less than \$500K and contracts valued \$500K or greater with uncosted obligations less than \$250K should be costed monthly based on straight-line calculations. Cost is adjusted quarterly based on the NF 533.

3.2.2 Firm-Fixed Price, Per FMM 9060

- a. Contracts requiring specific performance are costed when progress billings are received or upon receipt of cost reports prepared by personnel on the basis of personal knowledge or observation of work or other data contained in contract files (e.g., Construction Contracts).
- b. Contracts for "off-shelf" items are costed based upon R&I reports, invoices or similar documents.
- c. Quarterly – uncosted obligation reviews may result in the recording of cost (based on period of performance and/or receipt of invoices).

3.2.3 Indefinite Delivery/Indefinite Quantity (IDIQ)

- a. Per NPR 9501.2, the NF533 is required for cost-type contracts valued over \$500K.
- b. Cost-Type and Firm-Fixed Price Task/Delivery Orders are issued. Upon receipt of the NF 533 for the cost-type task/delivery orders, cost is accrued before the end of each month using the cumulative actual cost and current month estimate to arrive at the cumulative accrued cost in the accounting system.

3.2.4 Contracts Requiring Specific Costing Guidelines, FMM 9060

- a. Contracts awarded under the Small Business Innovative Research (SBIR) and Small Business Technology Transfer (STTR) programs are costed as follows:

- (1) Monthly – using the straight-line method

(2) Invoices – costed when invoice is received

(3) Quarterly – uncosted obligation reviews may result in the adjustment of accruals (based on period of performance and/or receipt of invoices)

3.2.5 Year-End (September), Per FMM 9061-5b.

a. Payments to be paid in October that relate to work performed by September 30 are costed in the month of September.

b. For contracts that require NF 533 reports, if the reports do not include an estimate through the end of September, cost will be accrued to the end of the month by using an estimate from the end of the period covered by the NF 533 to the end of September.

3.2.6 Contract Closeout

a. Fully costed upon notification from the Office of Procurement of transfer to closeout status

b. Cost is adjusted upon receipt of the final invoice.

3.2.7 Contracts Funded By Tasks/Delivery Orders

a. Completed tasks/delivery orders are fully costed after coordination with the Contracting Officer and the Contracting Officer's Technical Representative.

b. Cost is adjusted upon receipt of the final invoice.

3.3 Grants and Cooperative Agreements – FMM 9060; FMM 9280, Part I

a. Monthly – costed based on the straight-line method

b. Quarterly - upon receipt of the Federal Cash Transaction Report (SF 272), and the cash forecast for grants and cooperative agreements with non-profit organizations, cost accruals in the accounting system are adjusted to reflect the amounts on these reports. For cooperative agreements with "for profit" organizations, the uncosted obligation reviews may result in the adjustment of accruals (based on period of performance and/or receipt of invoices).

c. Year-End (September)

(1) Costs accrued by the straight-line method are adjusted based on the September's cash forecast of the June 30th SF 272.

(2) Grants under Letter of Credit (LOC) - disbursements in the financial management system are adjusted to the latest drawdown figures from the LOC subsidiary ledgers.

(3) Advances on expired grants are reclassified to accounts receivables.

3.4 Bankcard

a. Other Than Year-End (October – August)

Costed as bankcard statements are reconciled and approved via the web-based Bankcard System (BCS)

b. Year-End (September)

Costed as cardholders prepare “Buy Sheets” (orders placed which reflect prices quoted by vendors), but not yet received with estimated costs) via the BCS; in October, the Buy Sheet transactions are reversed and the normal statement process is followed for recording cost transactions

3.5 Government Bill of Lading (GBL), FMM 9060

a. Monthly

GBL's are initiated to carriers upon receipt of the deliverable item(s); costs and obligations should be recorded when the GBL is received in Financial Management

b. Year-End (September)

Costed based upon billings received or other notices that state that transportation has been accomplished.

3.6 Utilities, FMM 9060

a. Monthly

(1) Costed upon receipt of billings, or

(2) Costed based on estimates of usages or meter readings.

b. Year-End (September)

(1) Costed upon receipt of billings, or

(2) Costed based on estimates of usages or meter readings.

3.7 Payroll, FMM 9060

- a. Costed at the time of payment except month-end accruals. At the end of the month, if the pay period is split, accrue that portion that pertains to the current month.
- b. Year-End (September)
 - (1) Accrual is based on the prior pay period and estimates for awards and promotions, that are affected by the end of September.
 - (2) Additionally, if the pay period is split, costs are accrued for that portion that pertains to the current fiscal year.

3.8 Travel and Transportation Charges, FMM 9060, NFTRS 301 (FMM 9700)

- a. Costed at time of obligation, based on the estimated cost of the trip, in the month the travel commences. Accrued costs are adjusted to actuals when travel vouchers and invoices are paid.
- b. Permanent Change of Station (PCS) - when approved PCS travel and transportation orders are received in Financial Management costs and obligations are recorded simultaneously.
- c. Year-End (September)
 - (1) Per Diem and miscellaneous costs are recorded for the portion of the trip performed during the fiscal year.
 - (2) Listing of estimated costs for PCS travel in the month of September is requested from the Office of Human Resources (OHR).

3.9 Stock

3.9.1 FedMil (Federal/Military) - items purchased from organizations such as General Services Administration (GSA), Defense Logistics Agency (DLA), Department of Defense (DOD). Upon receipt of the items, cost transactions are recorded in the financial management system via transactions entered into the NASA Supply Management System (NSMS), by the Office of Logistics Management.

3.9.2 Commercial – items purchased by purchase request or credit card. Upon receipt of the item, cost is recorded when an R&I is received within Financial Management.

4 Reviews/Reconciliations and Reporting

4.1 OCFO Reviews

a. Per the NPR 9501.2, costs incurred will be reported irrespective of whether they exceed the "Fund Limitation" (NF 533, block 4). This can result due to the timing of receipt of definitized modifications. Reporting of such excesses will not be construed as evidence of approval by the Government or satisfaction of the notifications to the NASA Contracting Officer required by the contract.

(1) Weekly – costs in excess of obligations is monitored. Upon receipt of the NF 533, the amount of cost to accrue in the financial management system is determined. The OCFO notifies the contracting officer when there is cost in excess of obligations at the contract level and task level, to determine if additional funding is forthcoming or if the contractor will absorb the excess costs. Additional follow up is made on the status of funding.

b. Monthly, per the FMM 9060

(1) An analysis of accrued cost is performed on the 10 largest contracts, which account for the majority of the Center's total monthly-accrued costs. Variance rates are calculated and narrative comments are provided for those rates in excess of +-5 percent. The Center's Deputy Chief Financial Officer (Finance) (DCFO)(F)) and the head of the Financial Accounting and Analysis Branch review these variances. The result of this analysis is provided to the Office of Procurement so that the contracting officer may take any necessary corrective action.

(2) Timeliness of receipt of the NF 533 reports is tracked. Results are reported to the CFO as part of the monthly/quarterly CFO Status Reviews. The result of this analysis is provided to the Office of Procurement so that the contracting officer may take any necessary corrective action.

(3) Variance rates are calculated on all major cost-type contracts (contract valued over \$500K). Results are reported to the CFO as part of the monthly/quarterly CFO Status Reviews. The result of this analysis is provided to the Office of Procurement so that the contracting officer may take any necessary corrective action.

(4) Reconciliation of contracts and grants in the NASA Acquisition Management System (NAMS) and the Financial Management System (FMS) to the Straight-line System is performed to determine why documents reflect zero amount of costs. Also, during this reconciliation, an analysis is performed of the timeliness in receipt of procurement documents, such as modifications from the Office of Procurement to Financial Management.

(5) A review is performed to determine that all contracts and grants in the Straight-line File are being costed. Additional costs to contracts and grants may be recorded in the financial management system as a result of this review.

(6) Reconciliation of Letter Of Credit (LOC). A reconciliation of recipients advance funding and authorizations to the general ledger is performed to determine that drawdowns reported from NASA Headquarters equal the actual monthly drawdowns in the Department of Health and Human Services' (DHHS) Payment Management System (PMS).

c. Quarterly

(1) Uncosted Obligation Reviews - performed on all programs on non-monitored contracts in December, March and June on prior year funds, which may result in the recording of costs based on period of performance or other documentation contained in the document folder. Reviews are also performed in August and September as a part of the year-end process for current and prior year funds. These reviews are performed to accurately reflect costs on programs.

(2) Advance Payment Analysis – performed in November, February, May, and July, which may result in the recording of costs based on period of performance or other documentation contained in the document folder. The advance is adjusted during this analysis. Before liquidating the advance, where the period of performance has expired, the end user and or the contracting officer is contacted to determine if the services have been rendered or if the services have been performed. Also, in performing this review, we are able to reasonably determine if procedures that have been established are being adhered to.

(3) Upon receipt of the SF 272's, Federal Cash Transaction Report, and the cash forecast, cost accruals in the accounting system is adjusted to reflect the amounts on these reports.

4.2 OCFO Reports

4.2.1 Analysis of Accrued Cost

a. Monthly – an analysis of accrued cost is performed on the 10 largest contracts at the Center that account for the majority of the monthly accruals. This analysis calculates variance rates that assess the accuracy of the contractor estimates. Narrative comments are provided with explanations for those rates in excess of +/-5 percent. The Center DCFO(F), the head of the Financial Accounting and Analysis Branch and staff, review these variances. The results of this analysis are provided to the Office of Procurement so that the contracting officer may take the necessary corrective action.

4.2.2. Timeliness of Receipt of NF 533's Report

Quarterly - tracks the timeliness of receipt of NF 533's based on the submittal terms as documented in the contract. An additional two days is considered in determining if the NF 533 is late. A copy of this report is distributed to contracting officers so that corrective action may taken. Also, copies are distributed to the Contractor Technical Representatives (COTR).

4.2.3 Variance Report

Quarterly – assesses the accuracy of Center accruals and contractor estimates. Provides a comparison of the contractor's estimate for the current month when the actual cost reported by the contractor for the same period. A copy of this report is distributed to contracting officers so that corrective action may taken. Also, a copy is distributed to the contractor technical representatives (COTR).

4.2.4 Authorized and Advanced Funding Report – LOC Recipients

Monthly – report of available balances (authorized funding for withdrawal) and advance balances (amount withdrawn but not disbursed) for all LOC recipients is prepared and sent to the Office of Procurement for review and corrective action.

4.2.5 Timeliness of Receipt of SF 272's for LOC Recipients

Quarterly – tracks the timeliness of receipt of SF 272's based on submittal terms as documented in the FMM 9280. A copy of this report is distributed to the Office of Procurement for review and corrective action.

4.2.6 Costs In Excess of Obligations

Monthly – a review is performed of the contracts that have cost in excess of obligations. Results are reported to the CFO as part of the monthly/quarterly CFO Status Reviews.