



DATE: July 6, 2015  
TO: Center Directives Manager  
Langley Research Center  
FROM: Charles E. Brooks, Jr.  
Acting Chief Financial Officer  
SUBJECT: MEMO Authorizing Continued Use of Expired Langley Directive  
LPR 9060.1, Cost Accrual Guidelines  
Expiration date: June 30, 2015  
REF A: [NASA Requirement Waiver for NPR 1400.1 \(3.5.2.6\), NRW 1400-37](#)

In accordance with reference A, I authorize the continued use of the expired subject directive.

LPR 9060.1, Cost Accrual Guidelines
The subject directive has been reviewed prior to the expiration date and a summary of the required changes is: <ol style="list-style-type: none"><li>1. Unknown at this time. NPR 9060.1, Cost Accruals, expires on November 30, 2015 and is in the process of major revisions. The outcome of the NPR 9060.1, Cost Accruals revisions will influence the revisions to LPR 9060.1.</li></ol>
The directive was also assessed for the risk of continued use after expiration versus the risk of not having the directive available after expiration. The results of that risk assessment are: <ol style="list-style-type: none"><li>1. There are no risks at this time. NPR 9060.1, Cost Accruals revision has not been released and Langley Office of the Chief Financial Officer continues to operate the same until the release of the new NPR.</li></ol>
Justification for the delay is: NPR 9060.1, Cost Accruals, expires on November 30, 2015 and is in the process of major revisions. The outcome of the NPR 9060.1, Cost Accruals revisions will influence the revisions to LPR 9060.1.
The updated directive will be submitted for Centerwide review no later than January 31, 2016.

Please refer any questions or concerns regarding the continued use of this directive to Charles E. Brooks, Jr. CFO.

Acting Chief Financial Officer

July 6, 2015

(Date)

cc:

218/K.C.Suddreth

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**Langley Research Center**

LPR 9060.1C

Effective Date: July 1, 2010

Expiration Date: July 1, 2015

## **Cost Accrual Guidelines**

**National Aeronautics and Space Administration**

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

## **PREFACE**

### **P.1. Purpose**

- a. This Langley Procedural Requirement (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 the methods used in identifying and recording costs on their funding.
- b. Questions regarding the cost accrual guidelines should be directed to the Deputy Chief Financial Officer for Finance (DCFO (F)).

### **P.2. Applicability**

This LPR is applicable to Langley Research Center civil servants and contractors, to the extent specified in their contracts.

### **P.3. Authority**

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

### **P.4. Applicable Documents**

- a. NPR 9010.1, "Financial Management Requirements Overview"
- b. NPR 9060.1, "Cost Accruals"
- c. NPR 9010.2, "Financial Management Operating Procedures and the Continuous Monitoring Program"
- d. NPR 9501.2D, "NASA Contractor Financial Management Reporting"

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

None.

### **P.6. Cancellation**

LPR 9060.1, "Cost Accrual Guidelines," dated July 22, 2004

*Original signed on file*

Cynthia C. Lee  
Associate Director

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## 1. Introduction

The proper recording of cost is of utmost importance to ensure the integrity of financial information in the recognition of expenses and liabilities, the proper valuation of assets, and the validation of disbursements. Costs must accurately portray work performed by Langley Research Center. Throughout NASA, cost is used as one of the many program performance measurements. As a result, program/project/mission support decisions are often dependent on the amount of cost reflected in the Center's official accounting records. Therefore, recording of cost must be accurate, timely, and complete in order to support sound program/project management decisions. All program/project/mission support managers, resource managers, or other personnel who monitor the status of program/project/mission support 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 NASA's Financial Management System. NASA uses the accrual basis of accounting, which is directed by NPR 9060.1, "Cost Accruals". While the NPR 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. The OCFO welcomes input from Langley program analysts, Contracting Officer's Technical Representatives (COTR's) and contract task monitors regarding the execution of these guidelines to assist in ensuring that cost information is complete, accurate, and best represents the work performed by a program, project, or organization.

## 2. Cost Linkage to Projects

In order to ensure an accurate and equitable cost distribution if no specific linkage to a particular program or project is indicated, based on the normal business flow, the linkage is as follows:

- a. Pool reimbursable obligations (to ensure full assessment of obligations and costs on reimbursable orders prior to the expiration of the reimbursable funding), then
- b. Prior year obligations, allocated utilizing weighted average methodology based upon uncOSTed obligations corresponding to the reported cost, then
- c. Current year obligations, allocated utilizing weighted average methodology based on uncOSTed obligations corresponding to the reported cost.

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

2.2 Alternative methods of allocation of reported costs suggested by COTRs or contract task monitors are welcome by the OCFO. Cost accountants will work with contract subject matter experts on a case by case basis to ensure the most accurate and timely cost information is reflected in the accounting records.

### 3. Methods of Costing

Langley Research Center follows several methods of identifying and recording costs. Such methods can be grouped into eight categories: Purchase Orders, Contracts, Grants, Bankcards, Utilities, Payroll, Travel, and Stock.

#### 3.1. Purchase Orders

##### 3.1.1 Deliverable Items or Goods

- a. Goods Receipt - cost is recorded upon receipt and acceptance of the deliverable item or good (including capitalized equipment) by Center Operations Directorate (COD) personnel in the receiving area.
- b. Invoices – cost is recorded when a valid invoice is received and delivery of the item or good has been verified.

##### 3.1.2 Services

- a. Straight-line process – cost is recorded via use of an automated tool that accrues monthly costs evenly based on uncosted obligations over the period of performance of the contract.
- b. Invoices – cost is recorded when a valid invoice is received and delivery/acceptance of the service has been verified.

#### 3.2. Contracts

##### 3.2.1. Cost-Type

- a. Per NPR 9501.2D, “NASA Contractor Financial Management Reporting,” the Contractor Financial Management Report, NASA Form 533 (NF 533), is required for cost-type contracts valued at \$500K or greater and the period of performance is one year or more, or the value of the contract is \$1 million or greater regardless of the period of performance.
- b. Upon receipt of the NF 533 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. The current month estimate is accrued at the end of the month and reversed on the first day of the subsequent month. Therefore, for reporting purposes reports include accrued estimates only when executed as of the end of a monthly period.
- c. For Cost-Type Service contracts that do not meet the threshold for NF 533 reporting, cost is recorded utilizing the straight-line process.

### 3.2.2 Firm-Fixed Price (FFP)

- a. Contracts requiring specific performance (which is performance in accordance with specific contractual instructions or specifications) 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-the-shelf” items; products which the contractor has available for sale to others are costed when the government receives and accepts the goods and are based upon Goods Receipts, invoices, or similar documents
- c. For FFP service type contracts where the delivery of services will occur at a steady rate over a specific period of performance, the straight-line cost process is used.
- d. For FFP service-type contracts not requiring specific performance nor expecting delivery of services at a steady rate over a specific period of performance, costs are recorded when an invoice is received and validated.

### 3.2.3 Indefinite Delivery/Indefinite Quantity (IDIQ)

IDIQ contracts can be Cost-Type or Firm Fixed Price. Cost is recorded utilizing the methods discussed in 3.2.1 and 3.2.2 based on the nature of the contracts.

### 3.2.4. Quarterly

For contracts that require NF 533M reports, if the reports do not include an estimate through the end of the quarter-end month, cost will be accrued to the end of the month by using an estimate from the end of the period covered by the most recently submitted NF 533M to the end of that month.

### 3.2.5 Year-End (September)

Cost is recorded for invoices received on or before the fiscal year-end to be paid in October for work performed and completed by September 30 where cost has not yet been recorded.

### 3.2.6. Contract Closeout

- a. For contracts that require NF 533M reports, contract costs are recorded based on the NF 533.
- b. Cost is adjusted upon receipt of the final invoice.

### 3.3 Grants and Cooperative Agreements

- a. Grants are costed upon interface of the drawdown from the Department of Health and Human Services (DHHS) Payment Management System (PMS) with NASA's accounting system.
- b. Cooperative agreements with a letter of credit (LOC) utilize the DHHS PMS and are costed in the same manner.
- c. An exception to the use of DHHS for Cooperative agreements with an LOC is the National Institute for Aerospace (NIA) Cooperative Agreement. Because of its multiple activities and funding lines, DHHS PMS is not utilized and cost is recorded based on reports provided by the NIA and payment is by invoice.
- d. Cooperative agreements with commercial organizations are costed based on the straight-line method.

### 3.4 Bankcard

- a. Monthly

Costs are recorded after monthly bankcard statements are received and reconciled by the individual cardholders.

- b. Quarterly / Year End (September)

A cost accrual is recorded for bankcard transactions incurred to the end of the period after the last paid bankcard statement using reports from the bank or charges reflected in bankcard order logs. In the following month, the accrual is reversed and the normal process is followed for recording monthly cost transactions.

### 3.5 Utilities

Costs are recorded upon receipt of billings, or, where material, accruals are recorded based on estimates of usage or meter readings. At times, the straight-line process is used if utilities charges are consistent from month to month.

### 3.6 Payroll

- a. Bi-weekly

Costs are recorded when payment is made for the preceding pay period.

b. Monthly / Quarterly / Year End (September)

A cost accrual is recorded for unpaid days worked as of the end of the monthly, quarterly, or year-end period.

3.7 Travel and Transportation Charges

a. Costed at the time of disbursement of an approved travel voucher.

b. Quarterly / Year-End (September)

A travel accrual is posted via a journal entry based on trips taken but not yet vouchered and disbursed.

3.8 Stock

a. FedMil (Federal/Military) - refers to items purchased from organizations such as General Services Administration (GSA), Defense Logistics Agency (DLA), and 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 Center Operations Directorate (COD).

b. Commercial – items purchased by purchase request or credit card. Upon receipt and acceptance of the item, cost is recorded when a Goods Receipt is posted in COD.

**4. Reviews/Reconciliations and Reporting**

4.1 Review of Uncosted Obligations

Cost accountants review, on a monthly basis, contracts that have no recorded cost to determine if costs should have been recorded. If they have been set up by the Office of Procurement (OP) with an indicator that they should be receiving an NF 533, follow up is done with OP to ensure that the NF 533 is received in future months. If the contract is for services and should be costed using straight-line, cost accountants ensure that the straight-line computation is utilized in future months. If the contract is set up by OP to be costed only when the invoice is received, cost accountants follow up with procurement to see if another method of costing should be utilized to better match work performed with cost accrued.

## 4.2 Continuous Monitoring Program (CMP)

### 4.2.1 Monthly

#### a. Accuracy of contractor cost estimates.

Cost accountants compare cost estimates included in the contractors NF 533 submissions to the actual cost reported the following month. As part of this review, the accountants ensure adequate narrative comments explaining variances in excess of prescribed dollar amounts and/or percentages prescribed in the contract. Particular attention is paid to those contracts that account for the majority of the Center's total monthly accrued cost. This analysis is provided to the Office of Procurement (OP) so that contracting officers may initiate corrective action where applicable. Performance is tracked against Agency-established metrics, and results are reported to NASA Headquarters and to the Langley CFO as part of the CFO Monthly Status Reviews taking into account the materiality of the variances.

#### b. Timeliness of receipt of the NF 533 reports

Cost accountants provide this analysis to OP so that contracting officers may initiate corrective action when the NF 533 is received later than the submittal date established in the contract. The accountants track performance against Agency-established metrics, and results are reported to NASA Headquarters and to the Langley CFO as part of the CFO Monthly Status Reviews.

#### c. Validation of other cost estimates

Per the NPR 9501.2D, paragraph 3.3.2.1(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 contract/task 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. The cost accountant determines the amount of cost to accrue in the financial management system upon receipt of the NF 533M. 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 and results are reported to NASA Headquarters and to the Langley CFO as part of the CFO Monthly Status Reviews.

#### d. Validation that Cost Records are complete and properly recorded

Cost accountants perform additional CMPs to ensure that all NF 533s were recorded and that they were properly processed into the accounting system to

ensure completeness and accuracy. Results are reported to NASA Headquarters.

e. Fluctuation analysis by General Ledger Account

Accountants perform fluctuation analysis from month to month or year to year on expense and liability accounts enables the OCFO to analyze changes in cost trends and to determine if there are potential misstatements in the recording of costs. Results are reported to NASA Headquarters.

4.2.2. Quarterly

a. Validation of Aging of Accounts Payable – Goods Receipts

Accountants monitor and validate costs where disbursements have not occurred according to Agency-established metrics and thresholds. If it is determined that costs are over-reported, for example, if straight line costing is employed and it is determined to be too aggressive in terms of work performance, corrective actions are taken. If it is determined that work has been completed and an invoice should have been received, OCFO will work with OP to follow up with the contractor to receive an invoice. Results are reported to NASA Headquarters.

4.3 Langley OCFO Monthly Status Review Presentation

4.3.1 Analysis of Cost Trends

Accountants compare and present cost rates from month to month and total costs from year to year. Costs are broken out by labor, travel, and procurement. Procurement costs are broken out by procurement type. This enables the OCFO to determine if contracts have excess forward funding, if the Center is anticipating meeting cost metrics, or if there are errors or inadequacies in the recording of costs.

4.3.2 Analysis of Uncosted Obligations

Cost accountants compare and present total uncosted obligations from year to year and month to month. Uncosted obligations on major contracts are analyzed to determine estimated excess forward funding. This enables the OCFO to advise the Center regarding the efficient use of resources.

4.3.3. Results of CMP Reviews

Accountants prepare a summary and analysis of the results of the CMP including the accuracy of contractor estimates, timeliness of the receipt of NF 533s, and analysis of other cost estimates. The results are presented to the Langley CFO in the context of materiality and the CFO is advised of what actions are being taken to minimize future exceptions.