Subject: Cost Accrual Guidelines
Responsible Office: Office of the Chief Financial Officer (OCFO)

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Preface

P.1. Purpose

a. This Langley Procedural Requirement (LPR) provides guidance for the recognizing and recording of costs at NASA Langley Research Center (LaRC). 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

a. This LPR is applicable to LaRC civil servants and contractors, to the extent specified in their contracts.

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.

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

P.3. Authority

31 U.S.C. 3512 - Executive agency accounting and other financial management reports and plans

P.4. Applicable Documents

a. NPR 9010.1, Financial Management Requirements Overview
b. NPR 9060.1, Accrual Accounting – Revenues, Expenses and Program Costs
c. NPR 9010.2, The Continuous Monitoring Program and Financial Management Operating Procedures
d. NPR 9501.2, NASA Contractor Financial Management Reporting
e. NASA Form (NF) 533M, Monthly Contractor Financial Management Report

P.5. Measurement/Verification

None.
P.6. Cancellation

LPR 9060.1, Cost Accrual Guidelines, dated July 01, 2010

/s/ Cathy H. Mangum, Center Associate Director  April 21, 2017

**DISTRIBUTION:**
Langley Management System Web site
Chapter 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 for NASA Langley Research Center.

Throughout NASA, cost is used as one of the many program performance measurements. As a result, program/project and 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 and mission support managers, resource managers, or other personnel who monitor the status of program/project and 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.

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.

NPR 9060.1 requires input from Langley program analysts, Contracting Officer’s Representatives (CORs) 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 contractors for a program, project, or organization.

Chapter 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 following priorities are considered:

a. Reimbursable obligations (to ensure timely billing over the period of performance and timely closeout of reimbursable agreements).

b. Prior year obligations, allocated utilizing weighted average methodology based upon uncosted obligations corresponding to the reported cost.

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 The OCFO will consider alternative methods of allocation of reported costs when suggested by Contracting Officers (CO) and/or technical personnel (as defined in NPR
9060.1). Cost accountants will work with COs and/or technical personnel to ensure the most accurate and timely cost information is reflected in the accounting records.

Chapter 3. Methods of Costing

NASA Langley Research Center follows several methods of identifying and recording costs. Such methods can be grouped into eight categories: Purchase Orders, Contracts, Grants and Cooperative Agreements, Bankcards, Utilities, Agency Labor Distribution System, 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 Logistics 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 9501.2, NF 533M 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. Contractors submit NF 533M monthly in accordance with the terms of each contract.

b. Upon receipt of NF 533M cost is recorded before the end of each month using the cumulative actual cost and current month estimate to arrive at the cumulative 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 NF 533M cost estimates only when executed as of the end of a monthly period. The cost accountant will
obtain from designated technical personnel concurrence that monthly cost estimates represent reasonable estimates of goods and services received by NASA and/or fees earned by the contractor.

c. For Cost-Type Service contracts that do not meet the threshold for NF 533M reporting, cost is recorded utilizing the straight-line process and/or as valid invoices are received and acceptance of the service has been verified.

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 technical 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 commercial off-the-shelf (COTS) 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 neither 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 FFP. 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 NF 533M.

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 may be necessary in those rare occasions where contract complexities might require an exception to effect process improvement. In those instances, costs will be recorded using estimates based on supportable contractor reports, invoices or other reasonable means of assigning cost to work performed.

d. Cooperative agreements with commercial organizations are costed based on the straight-line method.

3.4 Bankcard

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

An estimated 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

Where actual costs are not readily available, cost accruals are posted monthly for all utilities with estimates provided by technical personnel. Estimated costs are based on meter readings, estimated consumption/usage amounts and historical trends. Since invoices can only be paid after adequate cost is recorded in NASA’s Financial Management System, additional cost is recorded as necessary upon receipt of billings.
3.6 Agency Labor Distribution System (ALDS)

a. Bi-weekly

Labor 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. Costs are recorded at the time of disbursement for costs submitted by an approved travel voucher.

b. 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 SAP Supply Management System (SMS) by Logistics.

b. Commercial – items purchased by purchase request or credit card. Upon receipt and acceptance of the item, cost is recorded when a Goods Receipt document is posted by Logistics in NASA’s Financial Management System.

Chapter 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 533M, follow up is done with OP to ensure that NF 533M 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 OP 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

Each month, Financial Management performs numerous activities and analyses as required under the Agency Continuous Monitoring Program (CMP) in accordance with NPR 9010.2. Certain CMP analyses are performed monthly, while others are performed on a quarterly basis.

These activities consist of the review and analysis of NASA’s financial data to identify inaccurate data, abnormal balances, account relationship differences, and other financial reporting anomalies. Specific procedures or control activities are provided within the Agency Financial Management Operating Procedures and the Agency CMP Manual.

Cost related CMPs include reviews, reconciliations, and validations to ensure all appropriate labor, travel, and procurement costs are recorded in a timely and accurate manner. Financial Management reaches out to OP, program analysts, and technical personnel as necessary for explanations to assist in the analysis.

4.2.2 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 533Ms, 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. Upon completion of the CMP requirements, the Center Chief Financial Officer will certify that the review was conducted and all required reconciliation procedures have been performed. A resolution plan should be prepared for exceptions and unreconciled differences that require explanation.