

NASA Interim Directive NID-9250

Office of the Chief Financial Officer

Identifying Capital Assets and Capturing Their Costs

1. Purpose

This NASA Interim Directive (NID) establishes the Agency's procedural requirements for identifying when a property, plant, and equipment (PP&E) purchase and/or fabrication meets the criteria for capitalization and for segregating the costs of the asset from other project costs so that assets can be properly recorded on NASA's financial statements. This NID describes the process and individual roles and responsibilities for identifying those PP&E that must be capitalized, establishing a work breakdown structure (WBS) element to accumulate the PP&E's costs, and reporting those costs.

2. Applicability and Scope

This NID is applicable to NASA Headquarters and NASA Centers, including Component Facilities, and to NASA contractors, to the extent that PP&E reporting requirements are incorporated in contracts. This NID is applicable to all programs, projects, centers, or other organizing structures that incur costs in the acquisition or fabrication of Agency-owned PP&E.

3. Authority

1. Chief Financial Officers (CFO) Act of 1990;
2. Government Management Reform Act (GMRA) of 1994;
3. Federal Financial Management Improvement Act (FFMIA) of 1996;
4. Federal Acquisition Regulations (FAR);
5. NASA FAR Supplement (NFS);
6. Office of Management and Budget (OMB) Circular A-127 Financial Management Systems;
7. Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control;
8. Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements;

9. Statement of Federal Financial Accounting Standards No. 6 Accounting For Property, Plant, and Equipment
10. Statement of Federal Financial Accounting Standards No. 10 Accounting For Internal Use Software;
11. Statement of Financial Accounting Standards, SFAS No. 2, Accounting for Research and Development Costs;
12. Federal Accounting Standards Advisory Board, Federal Financial Accounting Technical Release 7.

4. References

1. NPD 1200.1 NASA Internal Control and Accountability;
2. NPD 9501.1 NASA Contractor Financial Management Reporting System;
3. NPR 9501.2D NASA Contractor Financial Management Reporting (Revalidated w/Change 1 02/16/2006);
4. NASA Financial Management Regulation (FMR) Volume 6 Chapter 4 Property, Plant and Equipment;
5. NPR 7123.1 NASA Systems Engineering Processes and Requirements;
6. NPR 7150.2 NASA Software Engineering Requirements;
7. NPR: 7120.5D NASA Space Flight Program and Project Management Requirements;
8. NPR 7120.8 NASA Research and Technology Program and Project Management Requirements;
9. NPR 7120.7 NASA Institutional and Infrastructure Program and Project Requirements.

5. Overview: Identifying Capitalized PP&E and Capturing Their Costs

Accurately recording PP&E costs begins with identifying those property, plant or equipment purchases and/or fabrications that meet generally accepted accounting capitalization criteria and those that don't. Project Managers are required to complete the Alternative Future Use Questionnaire for all PP&E to identify those PP&E that should be capitalized and those that should not. The Office of the Chief Financial Officer (OCFO), or its representatives, will attend project concept, initiation, and implementation meetings to assist projects in determining which PP&E purchases and/or fabrications will need to be capitalized.

When PP&E items meet the capitalization criteria, their purchase and/or fabrication costs must be segregated from other project costs and this segregation must occur as the costs are incurred. Project Managers will segregate capitalized costs by assigning a unique WBS element within the project's WBS structure for each capitalized PP&E as the items are identified. This must be done for PP&E that will be capitalized, whether purchased and/or fabricated by NASA or by contractors. To ensure that all capitalized PP&E are identified and assigned a unique NASA WBS element, contractors must obtain approval from their Contracting Officer prior to purchasing or beginning fabrication of any PP&E with an anticipated total acquisition cost equal

to or greater than \$100,000 that is not specifically identified within their contract. When purchasing and/or fabricating capitalized PP&E, the contractor will track and report its costs using the assigned NASA WBS element. Contractors will report the costs of each capital asset as a separate item on required cost reports, typically its Contractor Cost Report (NF 533). These reporting requirements will not apply to firm-fixed-price contracts (FFP); costs to the Government for capital assets acquired through FFP contracts will be collected from invoice and/or progress payment or other interim payment information. Similarly, NASA costs associated with capitalized PP&E will be accumulated in the relevant PP&E WBS element. As a result, NASA will have the ability to identify, track, and accumulate the costs associated to the value of all capitalized PP&E.

Procurement will assist in establishing solicitations and contracts which require contractors to obtain necessary approvals prior to the purchase and/or fabrication of PP&E and to report the cost of any capitalized PP&E by the assigned unique WBS element(s) on cost reports. These requirements will be established at the inception of new contracts and will be required for any “new work” negotiated in modifications to existing contracts.

These requirements shall also be negotiated into existing contracts where additional capital assets are expected to be bought or fabricated, but have not yet been delivered. Procurement, project, and finance personnel shall attempt to incorporate reporting requirements to satisfy this directive. Contracts wholly supporting Space Shuttle and Space Station requirements are excluded from this requirement.

Where a significant cost impact on existing contracts is anticipated, the Center procurement, project, and financial offices shall meet with contractors and attempt to minimize the impact through discussion and negotiation. If an agreement acceptable to all parties cannot be reached, or the decision not to implement is reached, the contract and potential cost impact shall be identified and submitted through the Center CFO, Procurement Officer, and cognizant program office to the applicable Mission Directorate, Headquarters Office of Procurement, and OCFO for resolution.

Identifying capitalized PP&E from project inception and requiring contractors to obtain approval for PP&E purchases equal to or greater than \$100,000 enable NASA to identify each piece of capitalized PP&E as early as possible in the project lifecycle. Requiring NASA approval prior to the purchase and/or fabrication of capitalized PP&E, assigning a unique NASA WBS element to each, and reporting costs individually by unique NASA WBS element(s) improves control over the valuation of those capitalized PP&E.

6. Identification of Capitalized PP&E

This section describes the steps required to identify capitalized PP&E. NASA must identify each unique piece of capitalized PP&E before costs are incurred in its purchase and/or fabrication. A WBS element(s) must be created within the project WBS structure and communicated to relevant project staff (employees and contractors) for each piece of capitalized PP&E. These capital asset WBS elements can be created anywhere within levels 3 to 7 of the project WBS at project management’s discretion. Identification of capitalized PP&E and the creation of a WBS element(s) for each capitalized item begins at project inception and continues through the project

life. In this way, all planned and emergent capitalized PP&E items are identified so that costs can be captured for each item as the costs are incurred. NASA's Alternative Future Use Questionnaire (NF 1739) describes the criteria for identifying capitalized PP&E.

Note: This policy applies to Property, Plant, and Equipment and Software items only (including land, structures, equipment, software, and work-in-process (WIP), but not to materials, which are consumable, and are expensed as consumed. Consumables would include items less than \$100,000 or items equal to or greater than \$100,000 that do not have an estimated useful life of 2 years or more. However, materials, including spare parts, which meet NASA capitalization criteria (i.e., cost is \$100,000 or more and useful life is 2 years or more) are classified as re-usable and should be included in the capitalized cost of the capitalized PP&E they support. Refer to NASA Financial Management Requirements, Volume 6, Chapter 4 for definitions of PP&E and Materials and for a complete list of costs that must be included.

Through review and analysis of project documentation (including the Alternative Future Use Questionnaire completed by the project manager) and consultation with project management and Contracting Officers, NASA will determine and identify:

- What capitalized PP&E will be purchased and/or fabricated by the project;
- The unique NASA WBS elements associated with each.

To further support identification of capitalized PP&E within NASA's financial accounting system, Project Managers will set an asset attribute indicator in Mdm for each unique NASA WBS element. These indicators will serve to identify those unique NASA WBS elements reserved for capitalized PP&E, indicate what type of PP&E the WBS element is tracking costs for, and provide a mechanism for reporting on PP&E WBS elements.

6.1. Actions Prior to Beginning Project:

6.1.1. The NASA project manager shall:

1. Inform the HQ OCFO Property Branch of acquisition strategy meetings;
2. Submit to the HQ OCFO Property Branch the approved project Formulation Authorization Document (FAD) immediately upon its approval (Key Decision Point – A);
3. Submit to the HQ OCFO Property Branch the approved Project Acquisition Plan (Phase A – Acquisition Strategy Meeting);
4. Submit to the HQ OCFO Property Branch the completed NASA Form 1739 *Alternative Future Use (AFU) Questionnaire*, prior to the finalization of the project Work Breakdown Structure (WBS), identifying all planned PP&E that meets the stated capitalization criteria and their related NASA WBS elements, per *NPR: 7120.5D NASA Space Flight Program and Project Management Requirements*;
5. Create a unique WBS element, or elements, within the project WBS structure, for each capitalized PP&E identified through the use of NASA Form 1739 *Alternative Future Use*

(AFU) Questionnaire, whether NASA or contractor-held. Capital asset WBS elements can be created anywhere within levels 3 to 7 of the project WBS at project management's discretion. When requesting the WBS elements(s) through NASA's Metadata Manager (MdM):

- a. Attach the completed NASA Form 1739 *Alternative Future Use (AFU) Questionnaire* using the Attachment feature in MdM.
 - b. Assign NASA WBS asset attribute types in MdM to each capital asset WBS element. There shall be five WBS asset attribute types available based on type of asset acquisition the WBS will be supporting:
 - 1) Theme Assets;
 - 2) Software (Internal use software over \$1M);
 - 3) Real Property;
 - 4) PP&E - Fabricated Ancillary capital assets;
 - 5) PP&E – Purchased Ancillary capital assets;
6. Develop, in conjunction with Center financial and resources management and procurement personnel, the Financial Management Reporting requirements and instructions (in accordance with this NID and NPR 9501.2D) to be included in solicitations and contracts. These reporting requirements and instructions are normally in the form of a contract Data Requirement Description, and should include a structure to support the reporting of each capital asset as an individual reporting category on contractor cost reports (typically the NF 533).
7. Create Procurement Requests (PR) specifying:
- Those NASA unique WBS elements for capitalized PP&E to be acquired or fabricated on that procurement,
 - Data requirements for contractor reporting by those WBS elements.

6.1.2. The Office of the Chief Financial Officer shall:

1. Provide the final determination of the accounting treatment for all projects based upon review of the submitted project Formulation Authorization Document (FAD) and NASA Form 1739 *Alternative Future Use (AFU) Questionnaire*;
2. Review and approve all submitted NASA Form 1739 *Alternative Future Use (AFU) Questionnaires* to ensure that all identified planned PP&E comply with NASA capitalization requirements and that unique WBS elements have been identified for PP&E that meet capitalization requirements;
3. Review and approve the project WBS structure to ensure that a unique WBS element or elements has been assigned to all PP&E that has been identified as capital PP&E;
4. Develop, in conjunction with procurement and project management personnel, the Financial Management Reporting requirements and instructions (in accordance with this NID and NPR 9501.2D) to be included in solicitations and contracts. These reporting

requirements and instructions are normally in the form of a contract Data Requirement Description, and should include a structure to support the reporting of each capital asset as an individual reporting category on contractor cost reports (typically the NF 533).

5. Review WBS structures and financial reporting requirements prior to delivery to procurement for inclusion in solicitations and contracts to ensure that PP&E WBS elements and reporting and invoicing requirements are incorporated.

6.1.3. The Office of Procurement shall:

1. Ensure that contract clauses have been added so that Section J of the contract will have a list of Government Furnished Property;
2. Include contract language requiring the contractor to obtain approval prior to purchasing and/or fabricating ancillary PP&E with an expected acquisition cost equal to or greater than \$100,000 that were not explicitly itemized in the contract;
3. Incorporate into solicitations and contracts the Financial Management Reporting structure (typically the NF 533) and instructions provided by the Project Manager and the Center OCFO per NPR 9501.2D. The Project Manager and Center CFO will incorporate required capital asset reporting categories to support PP&E cost reporting aligned to the NASA project WBS;
4. Include Financial Management Reporting instructions (per NPR 9501.2D) in solicitations and contracts specifying that contractors report the costs of each capitalized PP&E they have purchased and/or fabricated as separate items on the Contractor Cost Report, if contractor cost reporting is required. These Financial Management Reporting instructions are normally developed by the Resource Management, Project Management, and Procurement community in the form of a Data Requirement Description in accordance with NPR 9501.2D;
5. For Firm Fixed Priced Contracts, ensure that each capital asset that the Government will take title to is uniquely identified as a deliverable contract line item (CLIN). This will ensure that capitalized PP&E will be reported as separate items on invoices/vouchers.

6.2. Actions Once a Project is Underway:

6.2.1. NASA Officials-in-Charge:

1. Provide annual certification that:
 - all PP&E have been reviewed to identify those that meet the capitalization criteria;
 - those capitalized PP&E have been assigned a unique WBS element(s) within the project WBS structure for cost accumulation purposes to each;
 - capitalized PP&E WBS elements have been reported each to the OCFO.

6.2.2. The NASA project manager shall:

1. Review contractor requests for approval to purchase PP&E to determine if the purchase and/or fabrication meets the capitalization criteria and notify the Contracting Officer of

their concurrence via electronic mail or in writing, specifying the unique WBS element for each item of capitalized PP&E;

2. Update and submit to the OCFO NASA Form 1739 *Alternative Future Use (AFU) Questionnaire* for all capitalized PP&E at the time they are planned to be purchased and/or fabricated;
3. Create a unique WBS element within the project WBS structure for each PP&E item that meets the capitalization criteria, whether NASA or contractor-acquired, and provide those as separate reporting categories (typically on the NF 533 in the case of cost contracts) or as separate CLINS (in the case of FFP contracts) to the Contracting Officer for inclusion in existing contracts.. When requesting the WBS elements(s) through NASA's Metadata Manager (Mdm):
 - a. Attach the completed NASA Form 1739 *Alternative Future Use (AFU) Questionnaire* using the Attachment feature in Mdm.
 - b. Assign WBS asset attribute types in Mdm to PP&E WBS elements. There shall be five WBS asset attribute types available based on type of asset acquisition the WBS will be supporting:
 - 1). Theme Assets;
 - 2) Software (Internal use software over \$1M);
 - 3) Real Property;
 - 4) PP&E - Fabricated Ancillary capital assets;
 - 5) PP&E – Purchased Ancillary capital assets.

6.2.3. The Office of the Chief Financial Officer shall:

1. Review and approve submitted NASA Form 1739 *Alternative Future Use (AFU) Questionnaires* to ensure that all planned PP&E that meet the stated capitalization criteria and their related unique NASA WBS elements have been identified;
2. Review and concur on contractor PP&E purchase requests (subsequent to contract being let) to confirm that identified capitalized PP&E have been identified and included;
3. Review and approve the project WBS structure before the acquisition is made, ensuring that:
 - a. NASA WBS elements are identified for capitalized PP&E;
 - b. Asset attributes have been associated with each unique PP&E WBS element. There shall be five WBS asset attribute types available based on type of asset acquisition the WBS will be supporting:
 - 1) Theme Assets;
 - 2) Software (Internal use software over \$1M);
 - 3) Real Property;
 - 4) PP&E - Fabricated Ancillary capital assets;

- 5) PP&E – Purchased Ancillary capital assets;
4. Maintain the original Alternative Future Use Questionnaire (NASA Form 1739) at the Center and a file copy at HQ.

6.2.4 The Office of Procurement shall:

1. Review and approve contractor requests to purchase and/or fabricate PP&E with an expected acquisition cost equal to or greater than \$100,000 that were not explicitly itemized in the contract and forward approvals to the OCFO.
2. For approved PP&E purchases and/or fabrications that have been determined to meet the capitalization criteria, communicate to contractors the WBS element(s) associated with those capitalized PP&E items, and the requirement for separate categories of contractor cost reporting (as initially established in the contract) by those WBS elements. The cost to the government for capital assets acquired through firm fixed price contracts will be obtained from the invoice, and/or progress payments, or other interim payment information.

7. Accumulating Capitalized PP&E Costs

This section defines the steps required to accumulate the costs associated with purchasing and/or fabricating PP&E that meet the capitalization criteria. Each item of capitalized PP&E will be assigned a unique WBS element(s) within the project WBS structure to support the accumulation of costs associated with each. These costs, whether incurred by contractors or by NASA, will be accumulated within the PP&E WBS element. Contractors will report the cost of each item of capitalized PP&E as separate items on their Contractor Cost Reports, or in the case of fixed priced contracts, on the invoice/voucher.

7.1 Actions Required in Order for NASA to Accumulate Capitalized PP&E Costs:

7.1.1. The Project Manager shall:

1. Accumulate costs of each capitalized PP&E in its associated unique WBS element, per Financial Management Requirements, Volume 6, Chapter 4.

7.1.2 The Contractor shall, (as provided for in their contracts):

1. Accumulate the cost for each item of NASA-defined capitalized PP&E as required by NASA;
2. Report current period costs incurred in the acquisition or fabrication of individual capitalized PP&E as separate items on required reporting vehicles such as the NF 533 Contractor Cost Report;
3. For fixed priced contracts, itemize capitalized PP&E as a separate item on invoices and/or vouchers.

8. Reporting on the Status of Capitalized PP&E

Status reporting on capitalized PP&E will be provided at any time work-in-process changes, at the time the purchase has occurred or fabrication is complete, when the PP&E becomes operational, and when the PP&E is disposed of or decommissioned.

8.1 The Project Manager shall:

1. Include the OCFO on distribution of project documents including:
 - a. Formulation Authorization Document (FAD);
 - b. Project Plan;
 - c. Acquisition Plan;
 - d. WBS;
 - e. Initial Schedule;
 - f. Milestone updates;
 - g. Baseline Change;
 - h. Control Directives;
 - k. Project Termination;
 - l. Scope Change;
2. Notify the OCFO when:
 - a. Capitalized PP&E has been approved for the operation and sustainment phase per NPR 7123.1 NASA Systems Engineering Processes and Requirements paragraphs:
 - 1) G.7. Systems Acceptance Review (SAR);
 - 2) G.8. Flight Readiness Review (FRR);
 - 3) G.9. Operational Readiness Review (ORR);
 - b. Capitalized PP&E has been approved for termination and decommissioning per NASA Systems Engineering Processes and Requirements NPR 7123.1 paragraph G.11 Decommissioning Review (DR) or other documentation evidencing the end of phase E;
 - c. Capitalized PP&E are accepted and have become operational;
 - d. There has been a change in work-in-process by providing Change Control Board Directives for business and WBS baseline changes per NASA Systems Engineering Processes and Requirements:
 - 1) NPR 7123.1 paragraph C.3.5 Configuration Management Process;
 - 2) NPR: 7120.5D NASA Program and Project Management Processes and Requirements paragraph 3.12 Information And Configuration Management Plan;

8.2. The Office of the Chief Financial Officer shall:

8.2.1. Request that Project Managers perform quarterly reviews of capital asset acquisitions to ensure that NASA Form 1739 Alternative Futures Use Questionnaire has been updated to reflect new acquisitions, modifications, or disposals.

9. Setting WIP Costs for Capitalized PP&E

9.1. The Office of the Chief Financial Officer shall:

1. For NASA WBS elements with the asset attribute types 1-4, place costs in the associated WIP account and upon completion of the PP&E, transfer costs to an asset account:
 - a. Theme Assets:
 - b. Software (Internal use software over \$1M):
 - c. Real Property:
 - d. PP&E - Fabricated Ancillary capital assets:
2. For NASA WBS elements with the asset attribute type 5 (PP&E – Purchased Ancillary capital asset), , place costs in an asset account upon receipt.

Appendix A Definitions and Acronyms

A.1 Definitions

Actual Capital Costs – Costs incurred to bring the PP&E to a form and location suitable for its intended use.

Alternative Future Use - having a planned use on a project other than the one for which it is originally purchased which can be identified and objectively measured at the beginning of a project or at the time the purchase occurs or fabrication commences.

Ancillary Capitalized PP&E – PP&E with an acquisition cost of over \$100,000 and a useful life of 2 years or more that are either purchased and/or fabricated to support a project's objectives and that can be reused by a future project or have a probable future economic benefit.

Asset Attribute – An attribute in MdM (Meta Data Manager) to identify capital assets at the individual WBS component level. When enabled, the asset attribute will be used to identify those WBS elements that support capital asset acquisition. The five WBS asset attribute types available are based on the type of asset acquisition the WBS will be supporting: (1) Theme Assets, (2) Software (Internal use software over \$1M), (3) Real Property, (4) PP&E - Fabricated Ancillary capital assets, (5) PP&E - Purchased Ancillary capital Assets

Capitalized Property, Plant, & Equipment (PP&E) – PP&E with an acquisition cost of over \$100,000 and a useful life of 2 years or more that are either purchased and/or fabricated to support a project's objectives and that have a planned alternative future use on another project.

Contractor-acquired property - means property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title.

Internal Use Software - software that is purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet the entity's internal or operational needs.

Key Decision Point - The event at which the PMC Decision Authority determines the readiness of a program/project to progress to the next phase of the life cycle (or to the next KDP)

Property Plant and Equipment (PP&E) - tangible assets, including land, that meet the following criteria: (1) have estimated useful lives of 2 years or more, (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

Real Property - land, buildings, other structures and facilities, and leasehold improvements

Theme Projects - Space exploration items that are specifically designed for use in a NASA program, i.e., NASA developed and /or funded scientific experiments intended to operate outside the atmosphere.

Theme Assets - Assets that are the principal products of Theme Projects that have the possibility of an alternative future use/benefit. Theme Assets will therefore be treated as Capitalized Property Plant & Equipment, which is capitalized and depreciated in accordance with generally accepted accounting principles.

Work In Progress - The full costs, direct and indirect, (i. e., procured materials, labor, travel , etc.) related to the design and fabrication of an asset to bring it to a form and location for its intended use, until such time as it is considered operational

A.2 Acronyms

AFU	Alternative Future Use
ASM Acquisition	Strategy Meeting
CAP	Contractor – Acquired Property
CHATS	Contractor Held Assets Tracking System
CO Contracting	Officer
COTR	Contracting Officer’s Technical Representative
ERP	Enterprise Resource Planning
FAD	Formulation Authorization Document
FRR	Flight Readiness review
KDP	Key Decision Point
MdM Metadata	Manager
OCFO	Office of the Chief Financial Officer
ORR Operational	Readiness Review
PDR Preliminary	Design Review
Phase Pre-A	Pre- Formulation
Phase A	Formulation
Phase B	Design
Phase C	Fabrication
Phase D	Assembly and Implementation
Phase E	Operation and Sustainment
Phase F	Decommissioning
PMC	Project Management Council
PNAR	Preliminary Non-Advocate Review and PDR
PP&E	Property Plant and Equipment
PSM	Procurement Strategy Meeting
SAR	System Acceptance Review
SEB	Source Evaluation Board
SEC	Source Evaluation Committee
SGL	Standard General Ledger
WBS	Work Breakdown Structure
WIP	Work-in-progress