

HA-96-002

**AUDIT
REPORT**

**AUDIT OF NASA'S FY 1995
FINANCIAL STATEMENTS**

MARCH 5, 1996



National Aeronautics and
Space Administration

OFFICE OF INSPECTOR GENERAL

National Aeronautics and
Space Administration

Headquarters

Washington, DC 20546-0001



Reply to Attn of

W

MAR 5 1996

TO: A/Administrator

FROM: W/Inspector General

SUBJECT: Report on Audit of NASA's Fiscal Year (FY) 1995
Financial Statements, Report No. HA-96-002

Enclosed are our reports on NASA's FY 1995 financial statements, internal control structure, and compliance with laws and regulations. These reports are required by the Chief Financial Officers (CFO) Act of 1990. Section 902 (a) (6) of the Act requires the CFO to include the enclosed reports in his annual report to you and the Director of the Office of Management and Budget.

Based upon the results of our audit, the FY 1995 financial statements present fairly, in all material respects, the financial position of NASA on September 30, 1995. However, during the course of the audit, we identified certain matters which, although not material to the financial statements, warrant corrective action and will be communicated to the CFO in a separate management letter.

We appreciate the courtesy and cooperation extended to us during the audit.

A handwritten signature in cursive script that reads "Roberta L. Gross".

Roberta L. Gross

Enclosures

AUDIT OF NASA'S
FY 1995 FINANCIAL STATEMENTS

CONTENTS

	<u>PAGE</u>
Introduction to Audit Reports	1
Auditor's Report on NASA's Financial Statements	5
Report on Internal Control Structure	7
Report on Compliance with Laws and Regulations	9
NASA's FY 1995 Financial Statements	Appendix 1

Headquarters

Washington, DC 20546-0001



Report 95-01

INTRODUCTION TO AUDIT REPORTS

The NASA Office of Inspector General (OIG) audited NASA's financial statements for the fiscal year ended September 30, 1995, and the underlying accounting systems, procedures, and documentation that support the financial statements. The financial statements audit was performed to fulfill the objectives of the Chief Financial Officers Act of 1990, P.L. 101-576 (CFO Act).

The CFO Act requires agencies to annually report to Congress on their financial status and to provide measures of their performance. Major objectives of the Act are to:

- Establish more effective general and financial management practices within the Federal Government.
- Improve systems of accounting, financial management, and internal controls to assure the issuance of reliable financial information and to deter fraud, waste, and abuse of government resources.
- Provide for the production of complete, reliable, timely, and consistent financial information for use by the Executive Branch and the Congress.

The CFO Act requires Federal entities to annually submit audited financial statements. Office of Management and Budget (OMB) Bulletin 93-06, *Audit Requirements for Federal Financial Statements*, requires that audit results be provided in three reports:

- Opinion on the Financial Statements,
- Report on Internal Control Structure, and
- Report on Compliance with Laws and Regulations.

The Federal Accounting Standards Advisory Board (FASAB) was established to consider and recommend accounting principles, standards, and requirements for the Federal Government. FASAB recommendations are considered by the Comptroller General, the Secretary of the Treasury, and the Director of the Office of Management and Budget (OMB), who collectively decide whether to promulgate and publish new principles. In the interim, OMB directed that the following hierarchy constitutes an "other comprehensive basis of accounting" for use in preparing financial statements:

1. FASAB recommendations - individual standards agreed to and published by the Joint Financial Management Improvement Program.
2. OMB Bulletins 93-02 and 94-01, Form and Content of Agency Financial Statements, requirements and subsequent issuances.
3. Accounting standards contained in Agency accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, so long as they are prevalent practices.
4. Accounting principles published by authoritative standard setting bodies and other authoritative sources.

The purpose of our audit was to provide an opinion on the financial statements, a report on the internal control structure, and a report on compliance with applicable laws and regulations. Specifically, the objectives were to:

- Determine whether NASA's principal statements presented fairly in all material respects the financial position as of September 30, 1995; the operations and changes in net position, and cash flows; and the budgetary resources and actual expenses for the year then ended, in accordance with OMB Bulletins 93-02 and 94-01, Form and Content of Agency Financial Statements.
- Determine whether NASA's internal control structure provided reasonable assurance that:
 - (1) Transactions were properly recorded and accounted for to permit the preparation of reliable financial statements and maintain accountability over assets;
 - (2) Funds, property and other assets were safeguarded against loss from unauthorized use or disposition;
 - (3) Transactions, including those related to obligations and costs, were executed in compliance with the Prompt Payment Act, Antideficiency Act, Federal Managers' Financial Integrity Act (FMFIA), CFO Act, and OMB Bulletins 93-02 and 94-01; and
 - (4) Data that support reported performance measures were properly recorded and accounted for to permit preparation of reliable and complete performance information.

- Determine whether NASA complied with the provisions of the Prompt Payment Act, Antideficiency Act, FMFIA, CFO Act, and OMB Bulletins 93-02 and 94-01; and
- Assess whether the information and manner of its presentation in the Overview section of the financial statements was materially consistent with the information in the Principal Statements.

We performed our audit in accordance with generally accepted government auditing standards and OMB Bulletin 93-06, Audit Requirements for Federal Financial Statements.

Our audit scope included updating our understanding of accounting cycles and procedures that were documented during the audit of the previous years' financial statements. We identified line items with significant balances on the principal financial statements. Line items include from one to several individual accounts. We then selected the following accounts with material balances included in the financial statement line items:

<u>Line item</u>	<u>Account(s)</u>
Fund balance(s)	Appropriated funds with U.S. Treasury
Other Assets	Government-owned/contractor-held inventories
Property, plant, and equipment net	Government-owned/held fixed assets Government-owned/contractor-held fixed assets Contractor-held space hardware
Accounts payable	Accounts payable to others
Cumulative Results of Operations	Disbursed appropriations
Invested capital	Invested capital Unexpended appropriations
Operating/program expenses, funded	Research and development current year costs Space flight control & data communications current year costs Human space flight current year costs

We audited the selected accounts to determine the extent to which our audit objectives could be met. Audit procedures were designed to meet all of the objectives by performing both judgmental and statistical sampling techniques.

This Page Intentionally Left Blank

Headquarters

Washington, DC 20546-0001



Page 12 of 10

AUDITOR'S REPORT

We have audited the statements of financial position, operations and changes in net position, and cash flows as of and for the years ended September 30, 1995 and 1994 and the statement of budgetary resources and actual expenses for the year ended September 30, 1995 of the National Aeronautics and Space Administration (NASA). These financial statements are the responsibility of NASA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin 93-06, Audit Requirements for Federal Financial Statements. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed by OMB in Bulletin 94-01, Form and Content of Agency Financial Statements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NASA at September 30, 1995 and 1994, and the results of its operations and its cash flows for the year then ended in conformity with the comprehensive basis of accounting described in Note 1.

A handwritten signature in cursive script, reading "Debra A. Guentzel".

Debra A. Guentzel
Assistant Inspector
General for Auditing

This Page Intentionally Left Blank



REPORT ON INTERNAL CONTROL STRUCTURE

In planning and performing our audit of NASA's financial statements for the year ended September 30, 1995, we considered the Agency's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following cycles.

- Budget Execution Cycle
- Purchase and Disbursements Cycle
- Government-Owned/Government-Held Property Management Cycle
- Government-Owned/Contractor-Held Property Management Cycle

For each of these internal control structure cycles, we updated our documentation and understanding of the design of relevant policies and procedures; we determined whether controls have been placed in operation; and we assessed control risk.

NASA's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization and recorded properly to permit the preparation of the financial statements in accordance with the accounting policies used by NASA to prepare the financial statements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

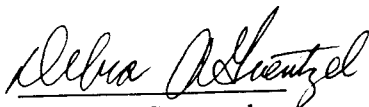
A material weakness is a reportable condition in which the design or operation of elements of the internal control structure do not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that would be material weaknesses as defined above.

NASA management fairly stated that those controls in place on September 30, 1995, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the principal statements would be prevented or detected on a timely basis. Management made this assertion based upon criteria established under the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and the Office of Management and Budget Circulars A-123, Internal Control Systems and A-130, Financial Management Systems.

Currently, NASA's financial accounting system does not conform with the requirements prescribed in OMB Circular A-127, which mandates each federal agency to develop a single integrated accounting system. The nonconformance is being reported by NASA as a material weakness in its annual FMFIA assurance letter. NASA, however, does not identify this nonconformance as a material internal accounting control issue related to financial reporting. This is based upon the reasonable assurance provided by ongoing internal reviews, GAO audits, and financial self-assessments of the accounting systems.

We increased substantive testing in order to substantiate that NASA's financial systems were effective in assuring that transactions were properly recorded, processed and summarized to permit the preparation of financial statements in accordance with the accounting practices prescribed by OMB Bulletin 94-01, Form and Content of Agency Financial Statements. NASA uses a comprehensive basis of accounting other than generally accepted accounting principles, which is described in Note 1 to the financial statements. We were able to satisfy ourselves that the nonconformance did not have a material effect on NASA's financial statements.

In addition, NASA plans to acquire standard, off-the-shelf systems to perform its accounting functions. Phase 1 of NASA's plan, which relates to the core financial systems, represents the Agency's corrective action plan for addressing the nonconformance. NASA management estimates that corrective actions addressing Phase 1 will be completed during FY 1998. The Office of Inspector General is currently auditing the systems development process.



Debra A. Guentzel
Assistant Inspector
General for Auditing



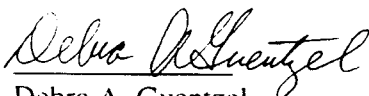
REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws and regulations applicable to NASA is the responsibility of NASA's management. As part of our audit, we performed tests of NASA's compliance with certain provisions of the following laws and regulations:

- Prompt Payment Act
- Antideficiency Act
- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- Chief Financial Officers Act of 1990 (CFO)
- Ethics Reform Act of 1989
- Office of Management and Budget (OMB) Bulletins 94-01 and 93-02, Form and Content of Agency Financial Statements.

The objective of our examination of the financial statements was not to provide an opinion on overall compliance, but was to provide reasonable assurance that transactions were executed in compliance with pertinent laws and regulations that we believe are material in relation to the financial statements. The results of our tests of compliance with laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards or OMB Bulletin 93-06, with the exception of the item noted below.

Currently NASA's financial accounting system does not comply with the requirements prescribed in OMB Circular A-127, which mandates each federal agency to develop a single integrated accounting system. NASA plans to acquire standard, off-the-shelf systems to perform its accounting functions. Phase 1 of NASA's plan, which relates to the core financial systems, represents the Agency's corrective action plan for addressing the nonconformance. NASA management estimates that corrective actions addressing Phase 1 will be completed during FY 1998. The Office of Inspector General is currently auditing the systems development process.


Debra A. Guentzel
Assistant Inspector
General for Auditing

This Page Intentionally Left Blank

National Aeronautics and Space Administration
Statement of Financial Position
As of September 30, 1995
(In Thousands)

Assets:	<u>1995</u>	<u>1994</u>
Intragovernmental Assets:		
Fund Balance With U. S. Treasury (Note 2)	\$ 8,058,587	\$ 7,382,620
Investments (Note 3)	18,855	22,415
Accounts Receivable, Net (Note 4)	169,959	262,720
Advances and Prepayments	5,014	3,257
Governmental Assets:		
Accounts Receivable, Net (Note 4)	52,927	112,501
Advances and Prepayments	279,294	221,449
Cash, Imprest Funds	401	534
Operating Materials & Supplies (Note 5)	43,764	34,345
Property, Plant and Equipment (Note 6)	24,573,637	23,546,476
Other Assets (Note 7)	<u>1,661,067</u>	<u>1,671,460</u>
Total Assets	<u><u>34,863,505</u></u>	<u><u>33,257,777</u></u>
Liabilities:		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accounts Payable	572,245	485,667
Other Liabilities (Note 8)	40,577	110,251
Governmental Liabilities:		
Accounts Payable	2,818,646	2,478,282
Lease Liabilities (Note 9)	8,973	6,135
Other Liabilities (Note 8)	<u>253,624</u>	<u>335,779</u>
Total	<u>3,694,065</u>	<u>3,416,114</u>
Liabilities not Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Actuarials	54,136	58,178
Other Liabilities (Note 8)	16,162	16,908
Governmental Liabilities:		
Lease Liabilities (Note 9)	33,104	29,461
Other Liabilities (Note 8)	<u>157,427</u>	<u>153,106</u>
Total	<u>260,829</u>	<u>257,653</u>
Total Liabilities	<u>3,954,894</u>	<u>3,673,767</u>
Net Position:		
Balances:		
Unexpended Appropriations	4,881,390	4,569,158
Invested Capital	26,235,405	25,215,699
Cumulative Results of Operations	17,807	25,289
Donated Property	986	986
Future Funding Requirements	<u>(226,977)</u>	<u>(227,122)</u>
Total Net Position (Note 10)	<u>30,908,611</u>	<u>29,584,010</u>
Total Liabilities and Net Position	<u>\$ 34,863,505</u>	<u>\$ 33,257,777</u>

The accompanying notes are an integral part of these statements.

National Aeronautics and Space Administration
Statement of Operations and Changes in Net Position
For the Year Ended September 30, 1995
(In Thousands)

	<u>1995</u>	<u>1994</u>
Revenues and Financing Sources:		
Appropriated Capital Used	\$ 12,919,397	\$ 13,175,825
Revenues from Sales of Goods & Services:		
To the Public	56,807	29,895
Intragovernmental	613,319	593,132
Interest, Federal	1,771	1,622
Other Revenues & Financing Sources (Note 11)	6,919	12,380
Less Receipts Transferred to Treasury	<u>(6,916)</u>	<u>(12,208)</u>
Total Revenues and Financing Sources	<u>13,591,297</u>	<u>13,800,646</u>
Expenses:		
Program or Operating Expenses:		
Science, Aeronautics and Technology	\$ 3,290,414	\$ 0
Human Space Flight	4,760,736	0
Mission Support	2,173,276	0
Research and Development	1,413,289	6,388,043
Space Flight Control & Data Communications	1,125,506	4,982,211
Research and Program Management	13,973	1,668,069
Construction of Facilities	136,345	117,562
Office of Inspector General	13,977	15,035
Trust Fund Expenses	1,137	1,256
GSA Building Fund Delegation	0	1,122
Intragovernmental Reimbursable Expenses	16,626	42,598
Governmental Reimbursable Expenses	653,500	580,429
Other Expenses	<u>0</u>	<u>(266)</u>
Total Expenses	<u>13,598,779</u>	<u>13,796,059</u>
Excess (Shortage) of Revenues & Financing Sources Over Total Expenses	(7,482)	4,587
Non Operating Changes:		
Invested Capital	1,019,706	600,519
Donated Property	0	986
Unexpended Appropriations	312,232	1,129,219
Future Funding Requirements	<u>145</u>	<u>2,936</u>
Total Non Operating Changes:	<u>1,332,083</u>	<u>1,733,660</u>
Excess (Shortage) of Revenues & Financing Sources Over Total Expenses and Non Operating Changes	1,324,601	1,738,247
Net Position, Beginning Balance	<u>29,584,010</u>	<u>27,845,763</u>
Net Position, Ending Balance	<u>\$ 30,908,611</u>	<u>\$ 29,584,010</u>

The accompanying notes are an integral part of these statements.

National Aeronautics and Space Administration
Statement of Cash Flows
For the Year Ended September 30, 1995
(In Thousands)

	<u>1995</u>	<u>1994</u>
Cash Flows From Operating Activities:		
Excess (Shortage) of Revenues & Financing Sources Over Total Expenses	\$ (7,482)	\$ 4,587
Adjustments affecting Cash Flow:		
Appropriated Capital Used	(12,919,397)	(13,175,825)
Decrease (Increase) in Accounts Receivable	147,881	(34,231)
Decrease (Increase) in Other Assets	(59,602)	(37,454)
Increase (Decrease) in Accounts Payable	419,610	(216,690)
Increase (Decrease) in Other Liabilities	(145,508)	65,862
Other Unfunded Expenses	(3,648)	(2,399)
Other Adjustments	(8,986)	(24,302)
Total Adjustments	<u>(12,569,650)</u>	<u>(13,425,039)</u>
Net Cash Provided (Used) by Operating Activities	<u>(12,577,132)</u>	<u>(13,420,452)</u>
Cash Flows From Investing Activities:		
Purchase of Property, Plant and Equipment	(956,849)	(243,224)
Decrease (Increase) in Inventories	1,396	1,311
Sale (Purchase) of Securities	3,560	(377)
Net Cash Provided (Used) by Investing Activities	<u>(951,893)</u>	<u>(242,290)</u>
Cash Flows From Financing Activities:		
Appropriations (Current Warrants)	14,274,383	14,507,399
Add: Transfers of Cash from Others	50,000	60,800
Deduct: Withdrawals	(119,391)	0
Net Appropriations	<u>14,204,992</u>	<u>14,568,199</u>
Net Cash Provided (Used) by Operating, Investing & Financing Activities	675,967	905,457
Fund Balances with U. S. Treasury, Cash, and Foreign Currency, Beginning	<u>7,382,620</u>	<u>6,477,163</u>
Fund Balances with U. S. Treasury, Cash, and Foreign Currency, Ending	<u>\$ 8,058,587</u>	<u>\$ 7,382,620</u>

The accompanying notes are an integral part of these statements.

National Aeronautics and Space Administration
Statement of Budgetary Resources and Actual Expenses
For the Year Ended September 30, 1995
(In Thousands)

<u>Appropriation and Programs</u>	<u>Budget Data</u>			<u>Actual Expenses</u>
	<u>Resources</u>	<u>Obligations</u>		
		<u>Direct</u>	<u>Reimbursed</u>	
Human Space Flight				
Space Station	\$ 1,889,641	\$ 1,692,837	\$ 41	\$ 1,542,116
Russian Cooperative	150,100	123,915	0	27,480
Payload & Utilization Operations	352,121	312,119	32,021	248,261
Space Shuttle	3,204,615	3,109,756	49,518	2,905,824
Total	<u>5,596,477</u>	<u>5,238,627</u>	<u>81,580</u>	<u>4,723,681</u>
Science, Aeronautics and Technology				
Space Science	1,832,659	1,589,868	55,659	1,075,748
Life & Microgravity Sciences Applications	468,339	393,307	848	187,053
Mission to Planet Earth	1,435,694	1,058,518	174,294	709,148
Aeronautical Research & Technology	937,569	865,942	67,569	702,044
Space Access and Technology	654,202	559,829	48,802	401,973
Launch Services	367,099	282,208	33,199	225,106
Mission Communications Services	484,906	455,308	3,706	364,634
Academic Programs	107,174	78,065	4,974	15,396
Total	<u>6,287,642</u>	<u>5,283,045</u>	<u>389,051</u>	<u>3,681,102</u>
Mission Support				
Safety Reliability & Quality Assurance	39,910	28,760	1,210	17,587
Space Communication Services	233,790	170,629	24,890	145,129
Research and Program Management	2,197,234	2,126,417	46,560	2,067,949
Construction of Facilities	136,366	78,189	1,366	18,542
Total	<u>2,607,300</u>	<u>2,403,995</u>	<u>74,026</u>	<u>2,249,207</u>
Space Flight Control and Data Communications:				
Shuttle Production and Operational Capability	167,396	167,307	(102)	315,973
Shuttle Operations	65,458	64,801	10	160,009
Space & Ground Networks, Communications & Data Systems	82,581	61,399	21,251	211,583
Launch Services	87,364	72,628	14,662	113,405
Total	<u>402,799</u>	<u>366,135</u>	<u>35,821</u>	<u>800,970</u>

The accompanying notes are an integral part of these statements.

National Aeronautics and Space Administration
Statement of Budgetary Resources and Actual Expenses
For the Year Ended September 30, 1995
(In Thousands)

<u>Appropriation and Programs</u>	Budget Data			<u>Actual Expenses</u>
	<u>Resources</u>	<u>Obligations</u>		
Research and Development:		<u>Direct</u>	<u>Reimbursed</u>	
Space Transportation Capability Development	\$ 82,688	\$ 70,172	\$ 4,674	\$ 234,550
Space Station	234,190	230,462	376	451,679
Physics & Astronomy	124,974	113,632	627	400,872
Planetary Exploration	41,695	33,315	75	273,203
Life & Microgravity Sciences Applications	130,004	127,787	0	212,943
Mission to Planet Earth	159,424	145,713	50,823	629,028
Advanced Concepts and Technology	95,660	79,934	12,816	233,207
Transatmospheric Research & Technology	343	297	124	4,561
Aeronautical Research & Technology	42,875	21,683	16,904	255,182
Safety, Reliability & Quality Assurance	7,783	7,294	440	15,399
Academic Programs	30,231	30,146	53	64,235
Tracking & Data Systems	768	700	0	2,164
Total	950,635	861,135	86,912	2,777,023
Research & Program Management				13,875
Construction of Facilities	497,480	297,251	316	294,656
Inspector General	16,000	-15,827		13,977
Trust Funds		1,545		1,137
Total Resources, Obligations & Expenses	\$ 16,358,333	\$ 14,467,560	\$ 667,706	\$ 14,555,628
Budget Reconciliation:				
Total Expenses				\$ 14,555,628
Less Unfunded and Reimbursable Expenses				(670,126)
Accrued Expenditures, Appropriated, Gross				13,885,502
Less Funded Changes in Capitalized Assets & Inventory				(956,849)
Accrued Expenditures, Appropriated, Net				\$ 12,928,653

The accompanying notes are an integral part of these statements.

National Aeronautics and Space Administration
Notes to Financial Statements
For the Year Ended September 30, 1995

1. Summary of Accounting Policies and Operations:

Basis of Presentation

Financial statements were prepared to report the financial position and results of operations of NASA as required by the Chief Financial Officers Act of 1990. The statements were prepared from the books and records of NASA, in accordance with the comprehensive basis of accounting specified in OMB Bulletin 94-01.

Reporting Entity

NASA is an independent Agency established to provide for aeronautical and space activities. Financial management of its operations is the responsibility of Agency officials at all organizational levels. The accounting system consists of nine distinct operations located at eight NASA Centers and Headquarters. Although each is independent of the other and has its own financial management officer, NASA Centers operate under Agencywide financial management regulations. NASA systems provide payroll accounting for 20,874 civilian employees and process approximately 130,000 nonpayroll related accounting transactions monthly. These data provide basic information necessary to meet internal and external financial reporting requirements and provide both fund control and accountability.

Eight appropriations require individual treatment in the NASA accounting and control system.

- (1) The Human Space Flight (HSF) appropriation is provided for human space flight research and development activities for space flight, spacecraft control and communications actions, including research, development, operations, services, maintenance, and construction of facilities including repair, rehabilitation and modification of real and personal property.
- (2) The Science Aeronautics and Technology (SAT) appropriation is provided for the conduct and support of science, aeronautics and technology including research, development, operations, services, maintenance, and construction of facilities including repair, rehabilitation and modification of real and personal property.
- (3) The Mission Support (MS) appropriation provides for safety, reliability and quality assurance activities supporting Agency programs, space communication services for NASA programs, salaries and related expenses in support of research in NASA Field Centers, and construction of facilities including repair, rehabilitation and modification of real and personal property.
- (4) The Research and Development (R&D) appropriation, which was restructured and replaced in the 1995 Budget, includes research and development of aeronautics and space, space vehicles, space systems effort, related institutional activities, minor construction repair, maintenance, rehabilitation and modifications.
- (5) The Space Flight, Control and Data Communications (SFCDC) appropriation, which was restructured and replaced in the 1995 Budget, includes production, operations and support activities for the Space Transportation System which includes the Space Shuttle and expendable launch vehicles and for tracking, telemetry, command and data acquisition support of all flight projects.

- (6) The Construction of Facilities (C of F) appropriation, which was restructured and replaced in the 1995 Budget, includes the construction of new facilities and the repair, rehabilitation and modification of facilities.
- (7) The Research and Program Management (R&PM) appropriation, which was restructured and replaced in the 1995 Budget, includes salaries, travel, and related expenses for the civil servants in support of NASA programs.
- (8) The Office of Inspector General (OIG) appropriation includes salaries, travel and related expenses required to conduct audits and investigations of Agency activities.

In addition to the basic operating programs described above, NASA expenditures in fiscal year 1995 included \$670 million of reimbursable activity.

Basis of Accounting

NASA accounts are maintained on an accrual basis (i.e. expense and revenue are recorded in the accounts in the period in which they are incurred or earned). Expenses are classified in the accounts according to the appropriation that financed the activity. These expenses are coded in accordance with the Agencywide coding structure, which sets forth a uniform classification of financial activity that is used for planning, budgeting, accounting and reporting. The expenses are further categorized in the General Ledger as operating or capitalized expenses.

Funds with the U. S. Treasury and Cash

NASA's cash receipts and disbursements are processed by the U. S. Treasury. The funds with the U. S. Treasury include appropriated funds, trust funds, and deposit funds for advances received for reimbursable services. Except for imprest funds (\$401,000), balances are not held outside the U. S. Treasury.

Investments

NASA's intragovernmental non-marketable securities include investments of the U.S. Government related to the following:

- (1) "National Aeronautics and Space Administration Endeavor Teacher Fellowship Trust Fund," which was established from \$ 340 thousand in public donations made in tribute to the crew of the Space Shuttle Challenger.
- (2) "Science Space and Technology Education Trust Fund," which was established from \$ 15 million in appropriated funds for the purpose of making grants for programs directed at improving science and technology education.
- (3) Manned Space Flight Educational Foundation at the Lyndon B. Johnson Space Center, which is to be utilized for the operation and maintenance expenses of the Foundation (balance \$2.9 million). With the exception of this investment, the assets and liabilities of the Foundation are not included in NASA's Financial Statements.

Advances

NASA funds its University Contracts and Grants Program by recipient drawdowns on letters of credit or through the use of predetermined payment schedules where letters of credit are not used; recipients are required to schedule drawdowns to coincide with actual, immediate cash requirements, in accordance with OMB Circular A-125 and Department of Treasury regulations. Quarterly financial reporting of cash transactions is provided on Federal Cash Transactions Reports (SF 272's). NASA's Jet Propulsion Laboratory (a Federally-funded research and development Center) is a major recipient of cash under letter of credit procedures. Detailed monitoring and accountability records are maintained; monitoring includes audits by the Defense Contract Audit Agency and NASA's OIG.

Accounts Receivable

The largest portion of these receivables is due from other Federal agencies and includes research and development on satellites as well as launch services. Non-Government customers are required to provide advance payments which are placed on deposit with the U. S. Treasury until services are performed. In unusual cases, exceptions and waivers to this general rule have been granted under the Space Act, allowing customers to postpone advance payments.

Operating Materials and Supplies

In accordance with Federal Accounting Standards Advisory Board (FASAB) standards, materials held by NASA Centers which are repetitively procured, stored, and issued on the basis of demand are considered Operating Materials and Supplies.

Property, Plant and Equipment

NASA-owned Property, Plant and Equipment may be held by the Agency or its contractors. Under the provisions of the Federal Acquisition Regulation (FAR), contractors are responsible for control over and accountability for such property in their possession.

Property, Plant and Equipment is not depreciated. NASA does, however, calculate a "use" charge for application to commercial reimbursable customers, which includes a factor for depreciation of facilities and equipment.

Automated Data Processing software is costed when acquired rather than capitalized.

Equipment with a unit cost of \$5,000 or more and a useful life of 2 years or more, that will not be consumed in an experiment, is capitalized. Capitalized cost includes unit cost, transportation, installation, and handling and storage costs.

Real Property, such as land, buildings, and other structures and facilities, is capitalized when the asset value is \$1,000 or more. The capitalized value represents the total cost to NASA, including both acquisition and preparation costs. Land values are recorded at original acquisition cost and do not reflect current value or include the cost of improvements. Buildings are also valued at acquisition cost, including the cost of capital improvements and fixed equipment required for functional use of the facility. Other structures include the acquisition cost of capital improvements, such as airfields, power distribution systems, flood control, utility systems, roads, and bridges. NASA has identified approximately \$269 million of property as being inactive or unassigned.

Property, Plant and Equipment (continued)

Government-owned/Contractor-held property includes NASA real property, such as land, buildings and structures, materials, plant equipment, space hardware, special tooling, and special test equipment. Contractors are directed to annually report Plant Equipment costing \$5,000 or more and having a useful life of 2 years and which will not be consumed in an experiment. Reporting is also required for Special Test Equipment, Special Tooling, Materials, and Space Hardware which, for the most part, includes items that are in excess of \$5,000; however, reporting on all such items is required and their total value is included on the financial statement. Contractors report, as of September 30, on a NASA Form 1018, Report of Government-owned/Contractor-held Property, which is certified by the contractor's representative and reviewed by a Government property administrator.

Space Hardware represents the largest dollar value of assets owned by NASA. Contractor-held Space Hardware includes configurations of spacecraft, engines, satellites, rockets, and similar components unique to NASA space programs and held by NASA prime contractors or their first-tier subcontractors who are responsible for building, refurbishing and launching the hardware. Contractor reporting is required for cost-type contracts exceeding \$500,000 where space hardware costs exceed \$75,000. These items are priced in accordance with guidance set forth in a NASA Supplement to the FAR. The valuation policy allows for use of actual or estimated costs, which may be abstracts of data from contractors' records, computations based upon engineering estimates, estimates from NASA Contractor financial management reports, formula procedures, latest acquisition/pricing estimates or other approved methods. Based on a long-standing NASA practice, these items generally do not include profit or fees in the valuation basis because certain assets are not yet completed. NASA is reevaluating this valuation practice in conjunction with a broader property valuation analysis pursuant to emerging Federal property accounting standards.

Other Assets

The reporting of Other Assets is a result of the reclassification of assets in accordance with FASAB's pronouncement on Inventory and Related Property. This includes Government-owned/Contractor-held materials, program stock, and property held by disposal officers.

Liabilities

Accounts payable includes amounts recorded for receipt of goods or services furnished to the Agency, based on receiving reports and billings rendered. Additionally, NASA accrues a cost and recognizes liability based on information that is provided monthly by contractors on cost and performance reports (NASA Form 533). NASA relies on independent audits by the DCAA to ensure the reliability of reported costs and estimates. To provide further assurance, financial managers are required to test the accuracy of cost accruals generated from the NF 533's, and NASA Headquarters independently analyzes the validity of Centers' data.

Revenues and Other Financing Services

NASA receives the majority of its funding through multiyear appropriations. These include 3-year and no-year appropriations for construction activities, 2-year appropriations for operational and space flight activities, and a single-year appropriation for civil service payroll and travel. In addition to appropriated funds, the Agency performs services for other Federal agencies and the public and receives reimbursable funding authority.

Actuarial

The actuarial liability for workers compensation represents liability calculations for the next 23 years, utilizing a seven percent discount rate, which is provided by the Department of Labor.

Statement of Budgetary Resources and Actual Expenses

Actual expenses reported on the Statement of Budgetary Resources and Actual Expenses include funded changes to capitalized assets and inventory. NASA's accounting system separates capitalized asset expenses from operation expenses at the appropriation level, but not at the program level.

2. Fund Balance with Treasury:

(In Thousands)

Fund Balances:	<u>Obligated</u>	<u>Unobligated Available</u>	<u>Unobligated Restricted</u>	<u>Fund Balance</u>
Appropriated Funds	\$ 6,176,653	\$ 1,619,422	\$ 51,653	\$ 7,847,728
Trust Funds	684	0	622	\$ 1,306
Total	<u>\$ 6,177,337</u>	<u>\$ 1,619,422</u>	<u>\$ 52,275</u>	<u>\$ 7,849,034</u>
Deposit funds for reimbursable advances				192,006
Suspense/Clearing accounts				<u>17,547</u>
Total Fund Balance with Treasury				<u><u>\$ 8,058,587</u></u>

3. Investments:

(In Thousands)

	<u>Par Value</u>	<u>Amortization Method</u>	<u>Amortized Discount</u>	<u>Net Investments</u>
Intragovernmental Non- Marketable Securities	\$ 18,930	Interest method	\$ (75)	\$ 18,855

4. Accounts Receivable, Net:

(In Thousands)

	<u>Entity Accounts Receivable</u>	<u>Allowance for Loss of Uncollectible Entity Receivable</u>	<u>Non-Entity Accounts Receivable</u>	<u>Net Amount Due</u>
Intragovernmental	\$ 169,888	\$ 0	\$ 71	\$ 169,959
Governmental	52,420	(170)	677	52,927
Total Accounts Receivable	<u>\$ 222,308</u>	<u>\$ (170)</u>	<u>\$ 748</u>	<u>\$ 222,886</u>

5. Operating Materials and Supplies:

(In Thousands)

	<u>1995</u>	<u>1994</u>	<u>Valuation Method</u>
Stores Stock	\$ 40,154	\$ 31,277	Weighted Avg.
Standby Stock	3,610	3,068	Weighted Avg.
Total	<u>\$ 43,764</u>	<u>\$ 34,345</u>	

6. Property, Plant and Equipment:

(In Thousands)

	<u>1995</u>	<u>1994</u>	<u>Change</u>
Government-owned/Government-held:			
Land	\$ 112,421	\$ 112,421	\$ 0
Structures, Facilities & Leasehold Improvements	4,945,501	4,605,818	339,683
Equipment	2,752,160	2,621,514	130,646
Assets Under Capital Lease	91,956	85,623	6,333
Construction in Progress	447,818	581,061	(133,243)
Total	<u>8,349,856</u>	<u>8,006,437</u>	<u>343,419</u>
Government-owned/Contractor-held:			
Land	15,782	15,852	(70)
Structures, Facilities & Leasehold Improvements	802,372	802,547	(175)
Equipment	1,425,467	2,097,144	(671,677)
Special Tooling	693,798	691,985	1,813
Special Test Equipment	522,675	516,289	6,386
Space Hardware	12,763,687	11,416,222	1,347,465
Total	<u>16,223,781</u>	<u>15,540,039</u>	<u>683,742</u>
Total Property, Plant and Equipment	<u>\$ 24,573,637</u>	<u>\$ 23,546,476</u>	<u>\$ 1,027,161</u>

The 1994 Property, Plant and Equipment amounts have been restated to reflect an increase of \$25 million.

7. Other Assets:

(In Thousands)

	<u>1995</u>	<u>1994</u>	<u>Change</u>
Contractor-held Materials	\$ 1,234,851	\$ 1,266,556	\$ (31,705)
Program Stock	236,382	253,671	(17,289)
Personal Property Held by the Disposal Officer	189,762	151,162	38,600
Deposits on Returnable Containers	72	71	1
Total	<u>\$ 1,661,067</u>	<u>\$ 1,671,460</u>	<u>\$ (10,393)</u>

8. Other Liabilities:

(In Thousands)

Liabilities Covered by Budgetary Resources:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Intragovernmental Liabilities:			
*Liability for Deposit and Suspense Funds	\$ 40,577	\$ 0	\$ 40,577
Total	<u>\$ 40,577</u>	<u>\$ 0</u>	<u>\$ 40,577</u>
Governmental Liabilities:			
*Liability for Deposit and Suspense Funds	\$ 175,129	\$ 0	\$ 175,129
Accrued Funded Payroll and Benefits	78,495	0	78,495
Total	<u>\$ 253,624</u>	<u>\$ 0</u>	<u>\$ 253,624</u>

*Liabilities include cash advances received from other Government agencies and public reimbursable customers. Also included are funds on deposit with the U. S. Treasury for employees' savings bonds and state tax withholdings.

Liabilities Not Covered by Budgetary Resources:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Intragovernmental Liabilities:			
Accounts Payable for Closed Appropriations	\$ 0	\$ 2,072	\$ 2,072
Liability for Receipt Accounts	71	0	71
Workers' Compensation	6,723	7,296	14,019
Total	<u>\$ 6,794</u>	<u>\$ 9,368</u>	<u>\$ 16,162</u>
Governmental Liabilities:			
Accounts Payable for Closed Appropriations	\$ 0	\$ 28,306	\$ 28,306
Liability for Receipt Accounts	677	0	677
Unfunded Annual Leave	0	128,444	128,444
Total	<u>\$ 677</u>	<u>\$ 156,750</u>	<u>\$ 157,427</u>

9. Leases:

(In Thousands)

Entity as Lessee:

Capital Leases:

Equipment

\$ 91,956

Four NASA Installations reported capital leases of assorted ADP and copier equipment. ARC reported \$52.8 million, LeRC \$3.5 million, GSFC \$35.3 million, and JSC \$.4 million.

Future Payments Due:

	<u>Equipment</u>
Year 1	\$ 27,446
Year 2	17,268
Year 3	188
Year 4	165
Year 5	<u>19</u>
Future Lease Payments	45,086
Less: Imputed Interest	<u>(3,009)</u>
Total Capital Lease Liability	<u>\$ 42,077</u>

Funded	8,973
Unfunded	<u>33,104</u>
Total	42,077

Entity as Lessor:

Operating Leases:

NASA leases and allows use of its land, facilities, and equipment by the public and other Government agencies for a fee.

Future Projected Receipts:

	<u>Land, Facilities & Equipment</u>
Year 1	\$ 253
Year 2	248
Year 3	251
Year 4	181
Year 5	<u>184</u>
Total	<u>\$ 1,117</u>

10. Net Position:

(In Thousands)

	<u>Trust Funds</u>	<u>Appropriated Funds</u>	<u>Total</u>
Unexpended Appropriations:			
Undelivered	\$ 611	\$ 3,209,704	\$ 3,210,315
Unobligated:			
Available	0	1,619,422	1,619,422
Unavailable	0	51,653	51,653
Invested Capital	0	26,235,405	26,235,405
Cumulative Results	16,882	925	17,807
Donated Property	0	986	986
Future Funding Requirements	0	(226,977)	(226,977)
Total	<u>\$ 17,493</u>	<u>\$ 30,891,118</u>	<u>\$ 30,908,611</u>

11. Other Revenues and Financing Resources:

(In Thousands)

	<u>1995</u>	<u>1994</u>
Donated Trust Fund Revenue	\$ 3	\$ 172
General Fund Proprietary Receipts	<u>6,916</u>	<u>12,208</u>
Total	<u>\$ 6,919</u>	<u>\$ 12,380</u>

General Fund Proprietary Receipts are earned or received as user fees, gifts, fines or interest penalties.

