



A-123 Appendix A Assessment of Internal Controls Over Financial Reporting

Process Name:	External PP&E		
Sub Process(es) Name:	Real Property& CIP; Annual Program Plan (APP) ¹ ; Oversight of Capital Equipment;		
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Information Systems Relevant to the Process:

- MAPCON
- P1000
- Cargo Tracking System (CTS)

Significant Financial Statement Accounts Affected:

Balance Sheet

- Assets – General Property, Plant and Equipment

¹ The subprocess is identified as Control Mechanism, which is designed to mitigate risks. However, considered a key control, it will be tested in FY07.



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- Net Position- Unexpended Appropriations

Statement of Net Cost

- Gross Cost Lines - Research & Related Activities; Education and Human Resources, Major Research Equipment and Facilities Construction; and Cost Not Assigned to Other Programs

Statement of Net Position

- Budgetary Financing Sources – Appropriations Used
- Budgetary Financing Sources – Appropriations Received

Statement of Budgetary Resources

- Obligations Incurred – Direct
- Obligations Incurred – Reimbursable



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Sub Process Narrative:

A. Office of Polar Programs Responsibilities for Overall Management of PP&E Procurement

The National Science Foundation's (NSF) Office of Polar Programs (OPP) is responsible for funding and management of the United States Antarctic Program (USAP). All support to the scientists performing research within the USAP is managed, funded, and overseen by the Antarctic Infrastructure and Logistics Division (AIL) within OPP. AIL funds and provides oversight to contractors and other US government organizations providing the support. Research support includes, but is not limited to, logistics, including ship and aircraft operations; facilities engineering, construction and maintenance; direct science support, such as scientifically configured aircraft, icebreaking research ships, and laboratory operations; information and communications systems; air traffic control landing systems; and weather forecasting.

Currently, there are five USAP organizations with NSF real property and/or capital equipment in their custody with acquisition values \$25,000 or greater per item. This property is reported, at a minimum, semi-annually to NSF's Division of Financial Management (DFM), who has responsibility for maintaining the accuracy of NSF financial records for real property and capital equipment. Although the financial reporting aspect of property is the responsibility of DFM, AIL is responsible for the funding and management of the acquisition of new property and the decision to dispose of property.

1. Raytheon Polar Services Company (RPSC)

RPSC is an NSF contractor which operates and maintains the three USAP year-round stations: McMurdo Station, Amundsen-Scott South Pole Station, and Palmer Station. In addition RPSC operates a cargo staging work site at Port Hueneme, California; support sites in Punta Arenas, Chile, and Christchurch, New Zealand; a Headquarters building in Centennial, Colorado; as well as several seasonal science field camps in Antarctica. In addition, RPSC provides services that include the operation of all science laboratories at the land stations and on two research ships; nearly all engineering and construction of USAP facilities; maintenance of all vehicles in the USAP fleet; communications; and information technology support.

RPSC maintains the largest inventory of NSF capital equipment and real property of all the USAP organizations. Not only do they procure and maintain capital equipment



to support their own activities, they procure equipment that supports the other USAP organizations' activities.

2. Space and Naval Warfare Systems Center, Charleston (SPAWAR)

SPAWAR is a Department of the Navy command located in Charleston, South Carolina, which provides air traffic control to USAP aircraft operating in Antarctica, some global communications, and meteorology/weather forecasting services to all USAP participants. NSF and SPAWAR have a Memorandum of Agreement (MOA) that details the responsibilities of each organization. In performing their duties for the USAP; they are required to procure, operate, and maintain air traffic control and Landing Systems equipment, such as RADAR and TACAN, weather forecasting aids, such as remote automatic weather stations and communications equipment.

3. New York Air National Guard 109th Airlift Wing (109th AW)

NSF and the Department of Defense (DOD) have an MOA that details the responsibilities of the 109th AW in support of the USAP. The 109th AW operates and maintains Air National Guard aircraft and four NSF owned LC-130 aircraft in support of the USAP. The four aircraft and an inventory of skis are the only NSF reported capital equipment under the custody of the 109th AW.

4. Kenn Borek Air, Limited

Kenn Borek is an NSF contractor operating Twin Otter aircraft in Antarctica in direct logistics and science support to the research groups in the USAP. Kenn Borek operates and maintains company owned or leased aircraft. Currently only one item of NSF owned capital equipment is in the custody of Kenn Borek.

5. Aerospace Maintenance and Regeneration Center (AMARC)

Four NSF owned LC-130 aircraft are currently inoperable and preserved at Davis-Monthan Air Force Base in Tucson, Arizona, and in the custody of AMARC. AMARC is an Air Force command in charge of maintaining the preservation of thousands of government aircraft. AMARC publishes a list of preservation activities that they undertake concerning each aircraft in their custody. AIL pays a fee for the aircraft to be placed in preserve status and a fee if the aircraft are removed from preservation. There is no additional fee while the aircraft remain in storage.

B. Annual Program Plan (APP) Development

To accomplish the many support tasks required by the USAP, AIL develops annual budgets and program plans with each of the supporting USAP organizations that include the acquisition of both real property and capital equipment. Each USAP organization has an annual budget and work plan for the tasking assigned by AIL. The general process is the same for USAP contractors as it is for government agencies supporting the USAP. The main difference in the processes is who at NSF approves the final APP for each type of organization.



a. Baseline APP

AIL over several years has developed a baseline APP with each of the supporting USAP organizations. For RPSC the baseline includes operations and maintenance (O&M) of the three year-round stations, the work sites at Port Hueneme, Christchurch, Punta Arenas and Centennial, the two polar research vessels, all laboratories, pooled science support equipment, and any other activity required to sustain the basic USAP science support mission in Antarctica and the life cycle replacement of equipment that supports the O&M tasking. SPAWAR's baseline APP includes the basic functions required to perform air traffic control landing systems, weather forecasting, and communications functions for the USAP. The 109th AW baseline APP is for the operation of the Air National Guard and NSF LC-130 aircraft to support the other USAP organizations' baseline tasking and the approved science research projects. A baseline APP for Kenn Borek funds the operation of three Twin Otter aircraft. AMARC incurs no costs and has no APP.

Prior to the beginning of each fiscal year, AIL and each of the USAP organizations agrees on any increases or decreases to the baseline APP, adding or subtracting O&M requirements and adding life cycle replacements. Most of the life cycle replacement costs are associated with capital equipment valued at greater than or equal to \$25,000. Organizations submit requested changes to the AIL Deputy Division Director and the cognizant AIL Activity Based Managers (ABMs). The Deputy and the ABMs review the requests; provide comments to the organizations, which resubmit changes, if required. The Deputy Division Director recommends approval to the AIL Division Director of the revised baseline APP. The Division Director has final approval authority of the new baseline APP.

b. New Projects Procedures

Following approval of the baseline APPs, AIL determines what new projects (science or non-science) can be accomplished within the overall AIL budget provided by OPP. AIL has developed a standardized process to be used by all USAP organizations that allows for thorough consideration of costs, benefits, and impacts for any new project before it is added to any organization's budget or program plan.² A project may include new facilities construction, modification or rehabilitation to an existing facility, demolition of an existing facility, support to a new science group or other support activity for the USAP, and capital equipment acquisitions supporting new capabilities. Projects considered by the procedure are usually those with estimated costs greater than or equal to \$25,000.

Any of the USAP organizations may submit projects proposals. In doing so they submit a New Project Proposal³ form to the Activity Based Manager (ABM) within AIL, who has cognizance over the functional area of the proposed project. The New Project Proposal includes detailed justification for the project; a priority rating; a schedule and scope of work; design review and acceptance requirements; a list of other organizations involved with or supporting the project; any related projects or

² See Appendix 1: PRSS New Project Procedure PM-P01; Submitting and Reviewing New Project Proposals

³ See Appendix 2: PM-F01 Project Proposal Form



activities; a cost schedule; cargo requirements (weight and shipping method to Antarctica); any assumptions and/or constraints used to formulate schedules or cost estimates; risk assessment that may impact schedule, scope, or cost; and any other supporting documentation. The AIL ABMs (called the ABM Sponsors for this process), who receive proposals, review them with the submitting organization. Upon thorough review, the ABM Sponsor scores the proposal, prioritizes it with other proposals under his or her review,⁴ and makes a recommendation to the AIL Deputy Division Director for approval or disapproval of the proposal. The AIL Deputy Division Director forwards the recommendation to the AIL Section.

The AIL Division Director has final approval/disapproval authority. The Division Director may disapprove the ABM's recommendation with prejudice, indicating that the proposal will not be considered, or he may disapprove without prejudice, indicating that the proposal will be considered in the next or succeeding budget cycle or that the proposal needs to be further clarified or developed before it will be considered. If the Division Director approves the proposal, it is added to the AIL Project List⁴ and the ABM Sponsor notifies the requesting organization. Other sections in OPP similarly compile requests for projects that would be funded through AIL.

Once all the approved proposed projects are compiled on the Project List in priority order, meetings are held in AIL between the Division Director, ABM Sponsors and other Division Directors to further discuss the advantages and disadvantages of the projects, changing priorities as necessary. If sufficient funds are available, all the projects will be approved by the Division Director for inclusion in the budgets and program plans of the organizations responsible for completing the project or acquisition. If sufficient funds are not available for certain projects, the AIL Division Director approves those items on the list for which funds are available. Non-funded projects will be considered in the next budget cycle or considered for funding if funds become available later in the fiscal year.

c. Final APP Approval and Approval of Changes

AIL adds new projects as necessary to the baseline APP for each organization. A final draft APP is submitted to AIL ABMs and Deputy Division Director by each organization for review prior to the beginning of the fiscal year. ABMs provide comments to the Deputy, who recommends approval to the Division Director.

(1) Procedures for Contractors

After the new baseline APP and the new projects have been approved by AIL, USAP contractors are asked to submit their final draft APP. Once the AIL Division Director approves the final draft APP, the contract Contracting Officer Technical Representative (COTR) for each USAP contractor recommends to the NSF Contracting Officer that the final APP be formally approved. The NSF Contracting Officer approves the annual APP in writing to the contractor with a copy to the COTR. Once formally approved, any change in scope or budget to the APP must be made by the NSF Contracting Officer after assurance from AIL that the changes are warranted

⁴ See Appendix 3: PRSS Form PM-F02 Prioritizing Projects Spreadsheet



and that sufficient funds are available in the AIL budget. If costs to a project increases without changing the scope of work and excess funds are available within the approved APP that do not exceed the COTR's reprogramming authority (\$1,000,000), the COTR may direct the contractor to reprogram the funds within the APP. If excess funds are not available within the APP or the excess funds required exceed the COTR's reprogramming authority, other funds must be identified by the COTR, and the NSF Contracting Officer must approve the change to the APP or the reprogramming.

(2) Procedures for Government Organizations (MOA)

After the new baseline APP and the new projects have been approved by AIL, USAP government organizations are asked to submit their final draft APP. The AIL Division Director has final approval authority for all the APPs of all government organizations with MOAs with NSF and for all changes to the APPs.

C. Budget Reporting

RPSC, SPAWAR, and the 109th submit monthly budget updates electronically into the Business Objects Financial Management System. This system is not accessible to each of the AIL ABMs, but monthly reports are generated from this system which are emailed to each ABM. This allows the ABMs to review and track the costs that have been expended in the APP on a monthly and year-to-date basis. AIL and SPAWAR are developing a project procedure that would have SPAWAR provide to AIL ABMs all pertinent data associated with an approved project and capital equipment acquisition. Actual capital equipment acquisition costs are available to the ABMs in the capital equipment reports submitted by RPSC and SPAWAR to DFM.

Additionally, AIL ABMs hold a teleconference with RPSC managers quarterly. While progress of RPSC's overall support to the USAP is discussed, progress and problems with projects and capital equipment procurements can also be addressed.

D. Property Acquisition

1. RPSC Procurement Process

RPSC is in compliance with Federal Acquisition Regulation (FAR), Part 45 which requires an annual physical inventory of all government property. The policies and procedures used to manage this effort are extensive. In addition, RPSC's procedures are ISO certified.

a. Certification of RPSC's Internal Procurement Process

A key concern of AIL for the successful completion of projects and capital equipment acquisitions is the effectiveness of RPSC's purchasing system⁵ and its compliance with government policies and procedures. To verify the adequacy of RPSC's purchasing system, NSF conducts periodic reviews of the RPSC procurement process (*Identified Control*).

⁵ See Appendix 5: RPSC Purchasing Process-Flowchart



FAR Part 44.3 allows administrative contracting officers (ACO) within government agencies to perform purchasing system reviews of contractors with contracts under their responsibility every three years. The objective of these reviews as stated in the FAR, "...is to evaluate the efficiency and effectiveness with which the contractor spends Government funds and complies with Government policy when subcontracting." The FAR Part 44.3 further states that "(T)he review provides the ...(ACO) a basis for granting, withholding, or withdrawing approval of the contractor's purchasing system. "

During December 2001 – January 2002, the NSF's Division of Contracts and Complex Agreements (DCCA), subsequently renamed the Division of Acquisition and Cooperative Support (DACS), and conducted a thorough review of RPSC's purchasing system in accordance with FAR Part 44.3. DACS identified eight topical areas for review:

- (a) Policies and Procedures
- (b) Internal Controls
- (c) Subcontract Clauses
- (d) Purchasing Management
 - Purchase Requirements
 - Competition
 - Delivery Schedules
 - Economic Order Quantities
 - Control of Inventory and Material
 - Expediting and Follow-up on Purchases
- (e) Source Selection
- (f) Cost/Price Analysis
- (g) Subcontracts Award and Administration
- (h) Internal Audit

As a tool in conducting the review, DACS used the Defense Logistics Agency's *Contractor Purchasing System Review Guidebook*, which lists achievement in the following conditions as demonstrating a fully compliant purchasing system:

- (a) Satisfactory monitoring and inspection of vendor quality compliance.
- (b) Good vendor rating system for quality compliance and delivery.
- (c) Satisfactory make or buy policies and practices.
- (d) Effective internal audit and other self-compliance programs.
- (e) Accomplishment of socio-economic goals.
- (f) Adequate acquisition lead time.
- (g) Timely delivery (i.e., 90% or greater) of goods and services.
- (h) Low supplier turnover.
- (i) Effective metric use.
- (j) Truth-In-Negotiations Act compliance.
- (k) Effective cost/price analysis.
- (l) Effective Negotiations.
- (m) Effective competition.
- (n) Little or no transportation premiums paid.



After completion of the 2001/2202 review, DACS in its final report issued a Statement of Adequacy, concerning RPSC's purchasing system that said in part: "RPSC's purchasing system is generally acceptable and sufficient to assure the Government that its funds are used effectively, and that procurement activities comply with relevant policies." A second review was conducted by DACS in July 2005. The final report on the 2005 review has not been issued yet; however, in its internal interim report, DACS makes the same Statement of Adequacy that it made concerning the 2001/2002 review. In each report, DACS has made recommendations to strengthen the RPSC purchasing system. Each subsequent review verifies that RPSC has incorporated the recommendations.

To further improve the RPSC purchasing system, the ACO at DACS has required RPSC to perform self-assessments of its system every three years. Procurement Self-assessment Reports are forwarded to the ACO, who reviews them and provides comments to RPSC. Any recommended changes from the ACO are incorporated into future assessments, as are any pertinent recommendations from the DACS reviews.

As a result of the reviews by DACS, AIL is assured that the purchasing system in place at RPSC is adequate and has sufficient controls in place to acquire the real property and capital equipment approved in the APP. AIL's responsibility, then, is to manage the requirements of the USAP, to ensure that RPSC procures the property approved in the APP, to ensure that RPSC remains within budget when acquiring property, to ensure that AIL procedures are followed by RPSC when submitting and completing new construction/engineering projects or modifications/rehabilitation projects, and to ensure that capital equipment procured is delivered on time.

It is important to note that RPSC must request approval from the NSF Contracting Officer for any procurement, whether it be for capital equipment or for a sub-contract to do work on a project that exceeds \$500,000 in cost. Approval is granted in writing by the Contracting Officer.

b. Capital Equipment Process

Once a proposed item of capital equipment is approved in the final APP, either as a life cycle replacement or new project, the RPSC division, which has management responsibility for the Work Breakdown Structure (WBS) in which the equipment is included in the APP, submits a procurement requisition to RPSC's Procurement Division. The Procurement follows detailed procurement procedures within RPSC to ensure, among other things, that the equipment requested to be procured is in fact approved in the APP. Prior to actual procurement, RPSC submits a Request for Approval (RFA) via e-mail to the cognizant AIL ABM who has budget and management responsibility for the equipment to be procured. The RFA will briefly restate the justification for the item, provide an estimate of the cost or a price quote from a vendor, and the WBS where the item is accounted for in the APP.

The AIL ABM will review the RFA to ensure that the item has been approved in the APP, the need for the item still exists, and that funds are still available. Any questions or concerns will be transmitted to RPSC, and a new RFA will be required that addresses those questions or concerns. The ABM provides approval to RPSC via



e-mail. If the ABM decides that the procurement is no longer required, he will not approve the procurement. He would also notify the AIL Deputy Division Director (COTR), who would direct RPSC's Finance Manager to cancel the procurement and hold the funds pending further direction.

During the course of the fiscal year, the requirement may arise for a piece of capital equipment that has not been approved in the APP. There may be many reasons for this: critical equipment is destroyed beyond repair, critical equipment is lost, such as over the side of a research ship, a new requirement may emerge, etc. RPSC must submit a new Project Proposal Form as is required for original consideration for the APP. Because of the usual/emergency nature of one of these requests, the process can usually be streamlined. ABM sponsor have the authority to reprogram \$150,000 of available materials funding annually to cover such emergent requirements. However, if funding is not available the cognizant AIL ABM Sponsor must still recommend approval or disapproval to the AIL Deputy Division Director, who verifies that funds are available and who recommends approval or disapproval to the AIL Division Director. If approved and excess funds are available within the APP that does not exceed the COTR's reprogramming authority (\$1,000,000), the COTR may direct RPSC Finance to reprogram the funds within the APP. If excess funds are not available within the APP or the excess funds required exceed the COTR's reprogramming authority, other funds must be identified by the COTR, and the NSF Contracting Officer must approve the change to the APP or the reprogramming. Typically, the COTR gives the RPSC approval to proceed, and the Contracting Officer combines multiple approvals into one official change to the APP.

c. Real Property Process

RPSC has responsibility for design, engineering, and construction of real property in Antarctica within the USAP. Construction projects greater than or equal to \$25,000 are categorized as either new construction or a major project (modernization or rehabilitation of an existing structure). Once a construction project is included in the APP, a rigid process has been established by AIL to ensure AIL input and approval at each critical activity during the planning, design, engineering, building, and acceptance phases of each project.

Initially, RPSC's Facilities, Engineering, Maintenance, and Construction (FEMC) Division develops a Project Management Plan (PMP) and submits it to the AIL ABM Sponsor. For construction projects, the AIL Facilities Engineering and Projects Manager (FEPM) is also the ABM Sponsor. The PMP is the primary planning document that guides the project team through the planning, scheduling and budgeting process for a project.⁶ The PMP provides the project overview (purpose, scope, objectives, etc.) Among its many components, the PMP will include organization, roles and responsibilities, key activities, schedule, effort estimate, cost estimate, deliverables, a procurement plan, a risk management plan, and controls. After a review of the PMP, the FEPM, who may use external government subject matter experts to assist with the review⁷, submits comments to FEMC. If the review

⁶ See Appendix 6: PRSS Generic Project Management Plan Guidelines

⁷ Usually government employees of the Naval Facilities Engineering Command, Pacific Division (PACDIV).



and comments do not result in the FEPM's approval of the PMP, FEMC resubmits the PMP and the cycle of review-comment-revision continues until the document is approved in writing by the FEPM or cancelled.

The next step in the process is for FEMC to prepare a Basis of Design (BOD) and submit it to the FEPM for approval. The BOD contents may vary project to project. However, generally, it will provide a design analysis for the project. It will include a description of the facility and its specifications. Specifications may include architectural, structural, mechanical, electrical, information technology, and safety systems. The BOD will also provide the design criteria, the building codes that apply, and any specialized materials required. A review cycle identical to that for the PMP is conducted, resulting in a written approval of the BOD by the FEPM.

Upon approval of the BOD, the FEPM and FEMC managers conduct review of the procurement strategy for the project. The strategy details what work will be performed by RPSC and what will be sub-contracted by RPSC or to other organizations. For instance, project design work may be accomplished within FEMC or some or all of the design may be sub-contracted by RPSC. The procurement strategy is approved in writing by the FEPM.

If sub-contracting has been approved, the procurement package is sent to the FEPM for review and comment. As noted earlier in this document, if the cost for any single sub-contract is greater than or equal to \$500,000, the procurement package must be reviewed and approved by the NSF Contracting Officer. The Contracting Officer must also approve any design work greater than or equal to \$500,000 that RPSC desires to perform within RPSC. A review-comments-revision cycle is conducted in all cases, and approval is provided in writing to RPSC.

Once the procurement strategy and any procurement packages have been approved by NSF, the project design phase begins. During this phase, FEMC submits design packages to the FEPM for review at 30%, 60%, 90%, and 100% of design completion. These packages include design drawings and specifications. Each goes through the review-comment-revision cycle until approved in writing by the FEPM. As with all reviews conducted by the FEPM, outside subject matter experts may be used to assist. At the 100% design review, the package is reviewed to ensure all comments/changes from previous reviews have been incorporated. Once approved RPSC is notified in writing that the design has been approved for construction.

The construction phase of any project has its own series of reviews and progress reports. FEMC reports to the FEPM on project scope, schedule, and budget during weekly telephone conferences, monthly written reports, and quarterly face-to-face reviews at RPSC's Headquarters. At the FEPM's discretion, quarterly reviews may be deleted for some smaller, less complex projects. For large projects or most new construction projects, photos of work progress are included in the monthly reports. During these reviews, technical issues are resolved, and minutes are taken and become part of the project record. Minutes and all other pertinent project records are stored in document control software at RPSC.⁸ Changes of schedule can be made by the FEPM. However, major changes must be approved by the AIL Division

⁸ Off the shelf project software called Expedition.



Director. Any changes in scope that would result in budget increase or any overruns in budget that would require additional funds must be approved by the NSF Contracting Officer upon assurance from the COTR that funds are available and that the AIL Division Director is in concurrence. The Contracting Officer would direct RPSC in writing to make changes to the APP to reflect the increase in budget.

In addition to the reviews during the construction phase, NSF has a memorandum of agreement with the Naval Facilities Engineering Command, Pacific Division (PACDIV) to provide government inspectors on-site, when necessary, to review construction in progress against design specifications and to ensure RPSC's performance with respect to their procedures and schedules. The inspectors are provided to AIL under the PACDIV Architect/Engineering Construction Surveillance and Inspection (Title II) Services. Any discrepancies are reported to the FEPM for discussion with FEMC.⁹

During the construction phase, FEMC may submit Requests for Information (RFI) to the FEPM. The RFIs are preliminary requests seeking approval to make changes to the construction plans. They detail the change requested and provide the FEPM with sufficient information to determine that a change is required or not. The RFI may include alternative changes to satisfy the requirement. Once the RFI is concurred with in writing by the FEPM; FEMC submits a formal change request (CR). A CR < \$50,000 may be approved by the FEPM; a CR ≥ \$50,000 must be approved by the AIL Division Director. In either case, the COTR must ensure that funds are available. If excess funds are available within the APP that does not exceed the COTR's reprogramming authority, the COTR may direct RPSC Finance to reprogram the funds within the APP. If excess funds are not available within the APP or the excess funds required exceed the COTR's reprogramming authority, other funds must be identified by the COTR, and the NSF Contracting Officer must approve the change to the APP or the reprogramming.

Configuration Change Requests (CCR) may also be required. These are basically changes to design specifications that are determined to be required for construction. Approvals for CCRs follow the same procedures as for CRs.

At 75% completion of construction, FEMC notifies the FEPM that they are approaching substantial completion of the project. The FEPM and FEMC arrange for dates for the FEPM to perform an on-site Conditional Occupancy (CO) inspection. For major projects subject matter experts accompany the FEPM on these inspections. The facility is inspected for compliance to the approved plans, design, specifications, and changes.

During the CO inspection, discrepancies are recorded on a "punch list". The punch list items are categorized as Priority 1, 2, or 3. Priority 1 items pertain to the safety and health of any future occupants of the facility. Priority 1 items must be corrected before the facility may be occupied. Priority 2 items are of immediate concern; Priority 3 items are considered minor. Priority 1 items are usually corrected while the government inspection team is still on-site. If not, a schedule for completion is agreed to, and a CO re-inspection of the facility is scheduled. When the Priority 1

⁹ See Appendix 7: PRSS Form PM-G01: Title II Inspection Guidelines for NSF Managed Projects in Antarctica



punch list is completed, the FEPM issues a (CO) certificate. A facility may be occupied conditionally while Priority 2 and 3 punch list items are being corrected. After issuance of the CO a schedule for completion of Priority 2 and 3 discrepancies is submitted by FEMC and, after review-comment-revision, is approved in writing by the FEPM. The FEPM notifies the AIL Deputy Division Director that the project, that has been listed on property reports as Construction in Progress (CIP) can now be transferred to Real Property reporting. At the same time RPSC makes the transfer on their property reports to DFM.

The progress of remaining punch list items is followed to completion by members of the inspection team and/or the Title 2 Inspector. Once all punch list items have been satisfactorily completed, RPSC submits a project close-out package to the FEPM. The package contains all project documentation, to include "as-built" drawings, all CRs and CCRs. After a review-comment-revision cycle, the FEPM approves the close-out package in writing. Upon approval of the close-out package, the FEPM signs and issues a Final Acceptance Certificate (FAC) to RPSC.

The process for minor construction projects (less than \$25,000) is much the same as for major projects (greater than \$25,000). Similar reviews are held and approved by the FEPM; however, at completion a Minor Project Completion form is issued by the FEPM.

Demolition of real property projects are handled in the same manor as construction /remodeling projects, with the exception that demolition projects may not have all the steps that are included in the construction process. For instance there may not be design reviews. However, there is still the rigorous review-comment-revision cycle for each pertinent step through the process and all the same progress reviews are held during the demolition phase of the project, until the FAC is issued to RPSC by the FEPM. For some major construction projects such as the South Pole Modernization Project, demolition of the facilities being replaced is included as part of the construction project package.

Once a FAC is issued for a demolition project, the facility demolished is moved from the real property list to the Equipment Dispositions Gain/Loss Report, showing the disposal of the facility.

Any time the FEPM issues either a conditional occupancy certificate or a demolition certificate, copies will be distributed to the following personnel:

- Deputy Division Director, AIL
- Contracting Officer, DACS
- Branch Chief, Accounting Operations
- DFM Accounting Contractor
- Section Head. Property and Records.

2. SPAWAR Procurement Process

Capital Equipment Process

SPAWAR has no responsibility for construction of modifications to real property. It only has requirements to either replace existing equipment or to acquire new



equipment to support its air traffic control landing system, communications, and weather forecasting tasking.

Once capital equipment procurements are approved by AIL, using the new projects proposal process described earlier, the capital equipment procurements are added to the SPAWAR baseline budget and the final budget is approved by the AIL Division Director.

SPAWAR uses its internal government procurement procedures to purchase the equipment¹⁰ and coordinates with RPSC for any equipment to be delivered to Antarctica. SPAWAR's procurement process is over-sighted by their contracting office and legal office. Capital equipment procurements by SPAWAR are reviewed by the SPAWAR contracts office and general counsel's office. The OPP ABM holds periodic face-to-face project progress and budget meetings with SPAWAR to monitor capital equipment procurements made by SPAWAR (OPP15). NSF exercises no control over the procurement process at SPAWAR, but rather relies on SPAWAR internal controls to assure compliance with FAR and internal SPAWAR procurement policies. However, the AIL ABMs exercise approval authority over what is procured and the cost for that procurement.

During the course of the fiscal year, the requirement may arise for a piece of capital equipment that has not been approved in the SPAWAR budget. SPAWAR must submit a proposal much as is required for original consideration for the budget. The cognizant AIL ABM Sponsor must still recommend approval or disapproval to the AIL Deputy Division Director, who verifies that funds are available and who recommends approval or disapproval to the AIL Division Director. The Division Director has final approval authority.

3. 109th Airlift Wing

Modifications have been performed in past on the four NSF-owned LC-130 aircraft operated by the 109thAW. These modifications have added to aircraft value and/or to the extension of their useful life. When modifications are approved by NSF, they are done under a memorandum of agreement with the DoD organization responsible for the modification. The 109th AW has no authority to modify NSF owned aircraft on its own. The 109th AW reports the aircraft annually to AIL, who in turn reports the NSF aircraft status to DFM as part of the NSF property reporting procedures. Capital equipment required to support the 109th AW's mission to the USAP is either Air National Guard/DoD owned or NSF property under the custody of RPSC. Requirements for the replacement of existing NSF-owned support equipment or the addition of new support equipment is submitted to AIL. If approved the procurement is placed into the RPSC APP.

4. Kenn Borek Air, Limited

Kenn Borek does not have authority under the contract to procure NSF owned capital equipment without NSF approval. Any capital equipment requirement would be

¹⁰ See Appendix 8 and 9: (7) SPAWAR Internal Procurement Procedures and (8) SPAWAR Contracting Process - Flowchart



approved using the AIL procedures for vetting and approval explained earlier in this document. Generally, any capital equipment would be research specific equipment required to be installed on one or more of the aircraft in support of a specific research project or group of projects. Most likely the procurement would be addressed during the approval process for the research project and would normally not be requested by Kenn Borek directly. Once a capital equipment procurement is approved, the AIL Deputy Division Director adds the equipment cost to the Kenn Borek baseline budget and requests that the NSF Contracting Officer notify Kenn Borek in writing. Any capital equipment procurements by Kenn Borek must be reviewed by the COTR and approved by the Contracting Officer. Because the capital equipment is project specific, there would not be a need normally to discuss capital equipment procurements outside the annual budget process.

5. AMARC

Since there is no cost associated with the storage of the four NSF-owned aircraft, AMARC has no authority or requirement to procure NSF capital equipment.

E. AIL Oversight of Capital Equipment

All AIL ABMs are experts and are extremely knowledgeable of the USAP activities under their management and budget control. Capital equipment procurements are not approved unless they are assured of the requirements. All new capital equipment procurements made by RPSC and SPAWAR are approved to replace existing equipment or to support new requirements. All ABMs deploy periodically (most annually) to Antarctica. They often are able to see first hand whether new capital equipment that has been approved has arrived and is operational. Science groups that rely on the capital equipment approved to support their research report annually to NSF on the success of their research efforts. Capital equipment ordered but not delivered, not operational, or improper equipment is reported by science groups immediately to the NSF Representatives in Antarctica (NSF/OPP employees deployed to Antarctica), the AIL Science Support ABM, or to their Project Program Manager in the OPP Antarctic Science Section. Other USAP organizations, who are dependent on the capital equipment procured by RPSC, will also notify the NSF Representatives or the cognizant AIL ABM if equipment has not been delivered or is not the approved equipment. Furthermore, a year-round NSF/OPP employee, the McMurdo Station Manager, is able to verify the delivery and operational readiness of all new capital equipment for the McMurdo region when the NSF Representative is not deployed to Antarctica. This system of checks and balances or controls allows AIL ABMs to verify if RPSC has failed to procure or deliver the approved equipment.

The AIL Air Projects Manager receives periodic updates on the operational condition of the four LC-130 aircraft operated by the 109th AW during the USAP non-operational season. During the USAP operational season, the 109th AW support mission is the responsibility of the NSF Representative McMurdo (one of three AIL ABMs assigned annually). The NSF Representative receives daily reports on the operational readiness of each aircraft.

Annually, the AIL Air Projects Manager visits AMARC to inspect the preservation status of the aircraft. Any changes to the status during the year are reported to the



Air Projects Manager by AMARC. AIL reports the NSF owned aircraft status each year to DFM as part of the NSF property reporting procedures. AMARC occasionally will place some of the aircraft in its custody on a published salvage list. While it is highly unlikely that one of NSF's four aircraft could be mistakenly advertised on the list, the Air Projects Manager receives copies of the salvage list.

F. DFM Operating Procedures for U.S. Antarctic Program PP&E Report¹¹

a. General Overview

The National Science Foundation (NSF) capitalizes general property, plant and equipment (PP&E) with an acquisition cost of \$25,000 or greater, and a useful life of two or more years. NSF also capitalizes internal use software with an acquisition cost of \$500,000 or greater, and a useful life of five or more years. Acquisitions not meeting these criteria **such as those under \$25,000** are recorded as operating expense **using the procurement method**. Depreciation of capital assets is calculated based on the straight line method using a half year convention. NSF currently reports capitalized PP&E at original acquisition cost. Assets transferred in from other agencies are captured at the cost recorded by the transferring entity net of accumulated depreciation. If the transfer value is not readily available, the cost is estimated by applying the value of a similar asset constructed in the same period, or by determining the cost to complete and discounting the value using the Consumer Price Index (CPI) as provided in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) #6.

At NSF, property is classified into two categories; In-House PP&E, and U.S. Antarctic Program (USAP) PP&E. USAP PP&E is property owned by NSF and used to support the U.S. Antarctic Program. The Office of Polar Programs (OPP) has overall responsibility for the administration of USAP activities and property reporting.

b. U.S. Antarctic Program PP&E Reporting

PP&E used by USAP to support NSF program operations in Antarctica consists of equipment, buildings, structures and facilities, and construction in progress administered by Raytheon Polar Services Company; communications, air traffic control landing system, and weather related equipment administered by SPAWARS; aircraft; satellites administered by OPP and KBA.

(1) Procedures for USAP Contractors

On an annual basis, DFM submits a memo to OPP to gather data from all USAP entities (RPSC, SPAWARS, KB Air and ANG) outlining the information required for reporting PP&E. RPSC submits reports through OPP for capital equipment on a quarterly basis. Raytheon submits reports for real property, construction in progress (CIP), and deferred maintenance as of the 3rd and 4th quarter each year. The

¹¹ Note: Refer to NSF Administrative Manual IV Section 300 for additional guidance



same reports are sent to DACS and DAS. Any discrepancies found in the data are communicated to all relevant groups.

DFM receives RPSC held capital equipment on a quarterly basis and real property, construction in progress, and the remaining USAP entities capital equipment on a semi-annual basis. Based on these reports, the DFM Contractor compiles the data from the reports and creates a summary report of all PP&E for USAP. The consolidated PP&E report is cross-referenced to each individual USAP entity's PP&E report for management's review.

c. Raytheon Controlled PP&E

The majority of USAP property is under the custodial responsibility of RPSC. Raytheon is required to provide NSF a report listing of all Raytheon controlled capital equipment, real property, and construction in progress as of June 30 and September 30 of each fiscal year. Although not required in the contract, RPSC also provides Capital Equipment reports to DFM as of December 31 and March 31. All reports are due 15 days subsequent to the reporting date. The reports include:

- Complete inventory of capital equipment, and a list of additions, deletions, and adjustments for both June 30 and September 30
- Complete inventory of buildings, and a list of additions, deletions and adjustments for both June 30 and September 30
- Complete inventory of structures and facilities, and a list of additions, deletions and adjustments for both June 30 and September 30
- Complete inventory of construction in progress and a list of additions, deletions and adjustments for both June 30 and September 30
- Depreciation calculation schedules for USAP capital equipment as of December 31, March 31, June 30 and September 30
- Depreciation calculation schedules for USAP real property as of September 30
- Freight cost model

The reports at a minimum include the following data:

- NSF property tag number (bar code)
- Equipment description
- Make and or model
- Manufacturer
- Acquisition date
- Acquisition cost
- Useful life
- Year of life
- Current year depreciation
- Accumulated depreciation
- Book value



The RPSC facilities reports also include an assessment of the current status of all real property facilities.¹² The assessment categorizes the condition of all facilities in terms of

- “Functional” meaning the building is currently in use and is occupied for a specific purpose.
- “Non-functional” meaning the building is not currently in active use by the USAP. The transition to non-functional status can be either through deliberate/intentional activities or through unintentional activities such as acts of nature. A building may be returned to functional status after being non-functional for a period of time due to program requirements.
- “Scheduled for Demolition” meaning that the facility is not currently in use and is not being used or maintained because of a future intent to demolish it. Because of resources and the short operating season it is not uncommon to keep buildings in this status for several seasons while demolition activities are scheduled.

RPSC submits the reports to DFM for review. These reports are provided to the DFM Contractor for review. For each reporting period DFM Contractor does the following:

Quarterly – Reviews the inventory listings for equipment for consistency with prior period balances. For capital equipment, the DFM Contractor reconciles the previous quarter's ending balance to the current quarter's beginning balance. The DFM Contractor notes any additions, deletions, and changes to the inventories and checks for accuracy of all calculations. The DFM Contractor prepares the financial adjustments (journal vouchers) necessary to update the NSF general ledger with additions, deletions, and depreciation to date for the reporting period. In addition to calculating the depreciation for newly acquired capital equipment, the AOB contractor calculates the depreciation for all previously acquired capital equipment and real property.

June 30 and September 30 – For real property and construction in progress the DFM Contractor reconciles previous year's ending balances in the Sept. 30 report to current year's beginning balances in the interim June 30. In addition to all of the steps described above, the DFM Contractor reviews calculations and the application of freight cost rates to CIP for accuracy. The Contractor also ensures that all CIP completed is removed from the CIP report and included in the Real Property Report. An open dialogue is kept between the Contractor and RPSC Property Administration to ensure that any discrepancies noted are addressed and corrected appropriately and timely. This process helps to minimize reporting inaccuracies and to correct any potential errors before the end of the fiscal year. Any issues during the property reporting process are noted by the DFM Contractor and incorporated into a memo to the Team Lead and Accounting Operations Branch (AOB) Chief outlining the issue and the status of resolution.

The freight cost model is developed by RPSC using a three year rolling average and is used to estimate cost per item shipped to Antarctica. OPP provides fuel costs to RPSC for inclusion in calculations. (Rates set at beginning of year are used for the

¹² These facilities assessment criteria will be first used for the 30 June, 2008 submission.



full year). The DFM contractor reviews and recalculates the freight costs included in the CIP report to confirm the approach used by RPSC.

If the DFM Contractor finds that the previous year or quarterly ending balances, do not reconcile to opening balances or any other discrepancies are identified, RPSC is contacted to determine the cause of the difference and to gather the correct data or updated reports.

On a quarterly basis for capital equipment, and semi-annually for real property and construction in progress, the DFM/FSS Section Head reviews the proposed journal entries and all supporting documentation. After the journal entries are uploaded into FAS, the contractor will check the general ledger to make sure the journal entries were entered accurately. The DFM Contractor checks the PP&E - USAP balance in the GL against the summary report created previously to generate the adjustments. If any discrepancies are found in the GL balance, the DFM Contractor will make correcting journal entries.

Below are examples of some of the adjustments made for Raytheon controlled property.

RAYTHEON REAL PROPERTY			
GL Account	Description	Debit	Credit
1730	Buildings	X	
1720	Construction in Progress	X	
1740	Other Structures and Facilities	X	
1720	Construction in Progress		X
	Raytheon Real Property - To record additions from CIP		
1739	Accumulated Depreciation – Buildings	X	
1730	Buildings		X
1749	Accumulated Depreciation - Other Structures and Facilities	X	
1740	Other Structures and Facilities		X
7211	Loss on Disposal of Assets – NF		
	Raytheon Real Property - To record deletions		
6710	Depreciation Expense	X	
1739	Accumulated Depreciation – Buildings		X
1749	Accumulated Depreciation - Other Structures and Facilities		X
	Raytheon Real Property - To record depreciation		

RAYTHEON CONSTRUCTION IN PROGRESS			
GL Account	Description	Debit	Credit
1720	Construction in Progress	X	
6101	Operating Expenses		X
9903	Offset for Purchases of PP&E	X	



9901	Purchase of PP&E - NF		X
	Raytheon Equipment - To record additions		

RAYTHEON CAPITAL EQUIPMENT			
GL Account	Description	Debit	Credit
1752	Grantee & Contractor Equipment	X	
6101	Operating Expenses		X
9903	Offset for Purchases of PP&E	X	
9901	Purchase of PP&E - NF		X
	Raytheon Equipment - To record additions		
1759	Accumulated Depreciation on Grantee Contractor Equip	X	
1752	Grantee & Contractor Equipment		X
7211	Loss on Disposal of Assets – NF	X	
	Raytheon Equipment - To record deletions		
6710	Depreciation Expense	X	
1759	Accumulated Depreciation - Grantee & Contractor Equipment		X
	Raytheon Equipment - To record depreciation		

d. SPAWARS Controlled PP&E

With OPP guidance SPAWARS administers NSF owned communications, ATC landing system, and weather-related equipment used to support the U.S. Antarctic program. As part of this responsibility SPAWARS is required to track and report capital property with an acquisition cost of \$25,000 or greater. Each fiscal year as of June 30 and September 30, SPAWARS provides reports within 15 days after the report date. The reports include:

- A complete inventory of capital equipment and systems as of June 30 and September 30
- A complete inventory of capital equipment and systems which SPAWARS acquired during the fiscal year. This includes a short description of the nature of acquisition of the asset (i.e. purchase, transfer, etc)
- A complete inventory of capital equipment and systems SPAWARS disposed of during the fiscal year. This includes a short description of the nature of the disposition of the asset (i.e. sale, transfer-out, etc)
- List of equipment and systems gained by inventory during the fiscal year and not reported in the previous period.

The reports at a minimum should include the following data:

- NSF property tag number
- Equipment description
- Make and or model



- Manufacturer
- Manufacturer’s serial number
- Purchase order number
- Acquisition date
- Acquisition cost
- In service date
- Location

The economic life classification for SPAWARS equipment is based on 10 years useful life.

Quarterly, the DFM contractor calculates and posts journal vouchers to reflect depreciation on previously acquired SPAWAR held capital equipment. The DFM contractor reviews the SPAWARS report upon its receipt. For the following reporting periods the DFM Contractor does the following:

June 30 and September 30 – Reviews the SPAWARS inventory for consistency with prior period balances. The DFM Contractor notes any additions, deletions or changes to the equipment inventory for accuracy. The DFM Contractor updates the depreciation schedules and calculates depreciation, accumulated depreciation and book value for each item and in total. Depreciation is calculated based on the straight line method using a half-year convention. The DFM Contractor prepares the financial adjustments (journal vouchers) necessary to update the NSF general ledger with additions and deletions to date for the reporting period. An open dialogue is kept between the Contractor and SPAWAR Property Administration to ensure that any discrepancies noted are addressed and corrected appropriately and timely. This process helps to minimize reporting inaccuracies and to correct any potential errors before the end of the fiscal year. Any issues during the property reporting process are noted by the DFM Contractor and incorporated into a memo to the Team Lead and Accounting Operations Branch (AOB) Chief outlining the issue and the status of a resolution.

Below is an example of some of the adjustments for SPAWARS equipment additions, deletions, depreciation expense and accumulated depreciation.

SPAWARS EQUIPMENT			
GL Account	Description	Debit	Credit
1752	Grantee & Contractor Equipment	X	
6101	Operating Expenses		X
9903	Offset for Purchases of PP&E	X	
9901	Purchase of PP&E - NF		X
	SPAWARS Equipment - To record additions		
1759	Accumulated Depreciation on Grantee Contractor Equip	X	
1752	Grantee & Contractor Equipment		X
	SPAWARS Equipment - To record deletions		



6710	Depreciation Expense	X	
1759	Accumulated Depreciation - Grantee & Contractor Equipment		X
	SPAWARS Equipment - To record depreciation		

e. Aircraft

OPP is responsible for tracking and reporting NSF owned aircraft. OPP is required to provide to DFM a report listing all aircraft as of June 30 and September 30 each fiscal year. OPP provides this report to DFM within 15 days after the reporting date. The report includes:

- Complete inventory of aircraft as of June 30 and September 30
- A complete inventory of aircraft NSF acquired during the fiscal year
- A complete inventory of aircraft NSF disposed of during the fiscal year.

Quarterly, the DFM contractor calculates and posts journal vouchers to reflect depreciation on previously acquired Aircrafts. Upon receipt of the aircraft inventory, DFM provides the report to the DFM Contractor for review. For the following reporting periods the DFM Contractor does the following:

June 30 and September 30 report – the DFM Contractor again reviews the aircraft inventory to check for consistency with the prior period balances. The DFM Contractor notes any additions, deletions or changes to the inventory. The DFM Contractor updates aircraft depreciation schedules and calculates depreciation, accumulated depreciation and book value for each aircraft and in total. Depreciation is calculated based on the straight line method using the half year convention. Economic life for aircraft is seven years.

An open dialogue is kept between the Contractor and OPP to ensure that any discrepancies noted are addressed and corrected appropriately and timely. Any issues during the property reporting process are noted by the DFM Contractor and incorporated into a memo to the Team Lead and Accounting Operations Branch (AOB) Chief outlining the issue and the status of a resolution.

Based on the depreciation schedules, the DFM Contractor calculates the financial adjustments (journal vouchers) required to update the NSF general ledger as of the end of the fiscal year. Below is an example of some of the adjustments for aircraft additions, deletions, depreciation expense and accumulation depreciation.

NSF AIRCRAFT & SATELLITE			
GL Account	Description	Debit	Credit
1751	NSF Furniture and Equipment (Satellites)	X	
1752	Grantee & Contractor Equipment (Aircraft)	X	

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6101	Operating Expenses		X
9903	Offset for Purchases of PP&E	X	
9901	Purchase of PP&E - NF		X
	NSF Aircraft & Satellites - To record additions		
1769	Accumulated Depreciation on NSF Furniture & Equipment (Satellites)	X	
1751	NSF Furniture and Equipment (Satellites)		X
1759	Accumulated Depreciation on Grantee & Contractor Equip (Aircraft)	X	
1752	Grantee & Contractor Equipment (Aircraft)		X
7211	Loss on Disposal of Assets – NF	X	
	NSF Aircraft & Satellites - To record deletions		
6710	Depreciation Expenses (Aircraft)	X	
1759	Accumulated Depreciation - Grantee & Contractor Equipment (Aircraft)		X
	NSF Aircraft - to record depreciation		

f. Fourth Quarter Accrual

Although NSF's USAP Contractors are required to report property activity to the Division of Financial Management (DFM) by October 15th of each Fiscal Year, the financial statement auditors request a final trial balance before October 15th. In order to fairly present NSF's financial statements and adhere to the auditors' request, an accrual must be posted to account for the fourth quarter property activity.

DFM's approach to develop the fourth quarter estimate of property activity is analytical in nature. The analytical procedure consists of the following:

Acquisition Value

- 1) Determine acquisition values of all PP&E category additions and deletions for the nine months ending June 30 of the preceding three fiscal years. The analysis does not include transfers from CIP to Real Property or Equipment. These transfers do not materially affect the overall PP&E balance. The only impact of these transfers on the PP&E balance is the depreciation expense (based on the half year convention) of the transfer year.
- 2) Determine acquisition values of all PP&E category additions and deletions for the three months ending September 30 of the preceding three fiscal years.
- 3) Determine the percentage of fourth quarter activity to the previous 3 quarters for each of the three fiscal years.
- 4) Average the percentage of fourth quarter activity to the previous 3 quarters for the three Fiscal Years. When there is no activity for a property category for the first three quarters of a fiscal year, but there is activity in the fourth



quarter, a percentage cannot be determined due to the null value in the denominator (4th QTR activity/3rd QTR activity = % rate). NSF excludes the years with the null values for which the activity percentage of fourth quarter activity cannot be determined when calculating the average.

- 5) Apply the averaged ratio calculated in 'Acquisition Value' step 4 to the June 30 property report of the current fiscal year to determine the fourth quarter accrual for acquisition activity.

Depreciation

- 1) Determine acquisition values of all PP&E category additions and deletions except for CIP-related categories for the fourth quarter of the preceding three fiscal years (Step 2 of 'Acquisition Value').
- 2) Determine depreciation values for all PP&E categories except CIP-related categories in the fourth quarter of the preceding three fiscal years. Depreciation calculation includes the depreciation of newly acquired and disposed properties for the same time periods.
- 3) Determine the percentage of the depreciation to the acquisition amount of the newly acquired property for each of the three fiscal years.
- 4) Average the percentages for the three Fiscal Years.
- 5) Apply the averaged ratio calculated in 'Depreciation' step 4 to the accrued Acquisition Value calculated in 'Acquisition Value' step 5 to determine the depreciation of the fourth quarter acquisition accrual.

During Fiscal Years 2004 through 2007, there were property entries of substantial acquisition value related to the transfer in and disposal of Microwave Landing Systems (MLS). NSF has excluded all activities related to the MLS's in determining the accrual for acquisition and depreciation of current year property because of their potential to greatly skew percentage rates. The transfer of these systems is unique and infrequent.

In the JV database, a DFM Accountant reverses the journal voucher for the fourth quarter accrual by creating a new JV to reverse the estimated accrual of expenses for contractor held USAP PP&E. This normally happens in October. The process for creating and entering JVs in the JV database and loading JVs into FAS follows the same steps described in the Year-End Reporting process. When the fourth quarter reports are received, actual values for contractor held USAP PP&E are booked by the DFM/FSS contractor via the JV database and loaded into FAS. Additional analysis is also performed to determine the variance between the accrual and actual year end property values to ensure that NSF's accrual methodology is reasonable.

g. Deferred Maintenance Reporting

Prior to July 15 and October 15 each year, Raytheon, SPAWARS, and the 109th are required to submit to DFM a report on all deferred maintenance for capital property



as of June 30 and September 30. Deferred maintenance is measured using either the condition assessment survey method or the total life-cycle cost method as described in the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No.14, "Amendment to Deferred Maintenance Reporting." The reporting method used is at the discretion of the respective PP&E administrator. DFM must be notified of any changes in deferred maintenance method for the reporting period. Deferred maintenance reports shall at a minimum, identify the following data:

- The method of measuring deferred maintenance
- If the condition assessment survey method is selected, the following additional information shall be reported:
 - A narrative describing the requirements or standards for acceptable operating condition.
 - A narrative describing any changes in the aforementioned requirements or standards implemented during the reporting period:
 - A rate describing the overall condition of the property employing the following scale: 1- excellent; 2- Good; 3- Fair; 4-Poor; 5- Very poor. A rating of 3-Fair is considered as acceptable condition.
 - An estimate of the dollar amount of maintenance deferred. This amount shall be classified as either "critical" or "non-critical" maintenance.
- If the total life-cycle cost method is selected, the following additional shall be reported:
 - A narrative describing the original date of the maintenance forecast and an explanation for any changes to the to the forecast
 - The prior year balance of the cumulative deferred maintenance amount.
 - The dollar amount of maintenance that was required for the reporting period.
 - The dollar amount of maintenance that was actually performed during the reporting period.
 - The dollar amount of any adjustment to the schedule amount of maintenance deemed necessary.
 - The ending cumulative balance of deferred maintenance for the reporting period, classified as either "critical" or "non-critical" maintenance.

For facilities in Antarctica, AIL has defined deferred maintenance as any maintenance which, if not performed, would result in the facility becoming inoperable or unsuitable for use.

Upon receipt DFM provides the deferred maintenance reports to the DFM Contractor for review. The DFM Contractor analyzes the report for completeness and consistency. The deferred maintenance data is summarized for inclusion in the notes to the financial statements.

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Final Approvals by all Business Process Owners are reported on the SharePoint <http://sharepoint.nsf.gov/sites/BFA-A123/pages/InternalandUSAP%20PP+E.aspxsite> under the USAP PP&E Final Sign-Off section.

Respectively Submitted,
A-123 Program Manager
Loren J. Phillips