

Supporting Statement
OMB Control Number 2700-0017
NASA Property in the Custody of Contractors

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

31 USC 3512(b) requires establishment and maintenance of accounting systems that provide, in part:

- “(1) complete disclosure of the financial results of the activities of the agency;
- (2) adequate financial information the agency needs for management purposes;
- (3) effective control over, and accountability for, assets for which the agency is responsible,

31 USC 3512(c) stipulates that agency heads “establish internal accounting and administrative controls that reasonably ensure that— revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.”

31 USC 3515(b) requires that agency financial statements reflect “...the overall financial position of the offices, bureaus, and activities covered by the statement, including assets and liabilities thereof...”

Statement of Federal Financial Accounting Standard (SFFAS) Number 6, “Accounting for Property, Plant and Equipment,” sets forth accounting standards for all Federally-owned property, plant and equipment (PP&E), including depreciation of such PP&E. SFFAS #6 paragraph 18 states “property, plant and equipment also includes ...property owned by the reporting entity in the hands of others (e.g., state and local governments, colleges and universities, or Federal contractors)...” OMB guidance on “Form and Content of Agency Financial Statements” requires that agency financial statements be prepared in accordance with SFFAS Number 6.

The Federal Acquisition Regulation, 45.107(a) (1) stipulates that the contracting officer shall insert the clause at 52.245-1, Government Property, in—

(i) All cost reimbursement, time-and-material, and labor-hour type solicitations and contracts; and

(ii) Fixed-price solicitations and contracts when the Government will provide Government property.

(iii) Contracts or modifications awarded under FAR Part 12

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“Property clause 52.245-1 (f) (iii) discusses the requirements for contractor maintenance of custodial Records of Government property. This section states, “The Contractor shall create and maintain records of all Government property accountable to the contract, including Government-furnished and Contractor-acquired property.”

(A) Property records shall enable a complete, current, auditable record of all transactions and shall, unless otherwise approved by the Property Administrator, contain the following:

- (1) The name, part number and description, manufacturer, model number, and National Stock Number (if needed for additional item identification tracking and/or disposition).
- (2) Quantity received (or fabricated), issued, and balance-on-hand.
- (3) Unit acquisition cost.
- (4) Unique-item identifier or equivalent (if available and necessary for individual item tracking).
- (5) Unit of measure.
- (6) Accountable contract number or equivalent code designation.
- (7) Location.
- (8) Disposition.
- (9) Posting reference and date of transaction.
- (10) Date placed in service.

Section F1(vi) Reports, states “The Contractor shall have a process to create and provide reports of discrepancies; loss, damage, destruction, or theft; physical inventory results; audits and self-assessments; corrective actions; and other property related reports as directed by the Contracting Officer.”

The NASA FAR Supplement clause 1852.245-73, Financial reporting of NASA Property in the Custody of Contractors, further refines this requirement to give contractors direction on the submission of data associated with this form.

NASA Fiscal Year 2011 Accountability Reported showed that over \$5.4 billion of the Agency’s \$9.8 billion in property, plant and equipment was held by contractors. This equated to nearly 55% of the items in NASA’s inventories. In order to meet the requirements referenced above, to ensure accurate reporting of Government-owned, contractor-held property on the financial statements and to provide information necessary for effective property management, NASA obtains summary data annually from the official Government property records maintained by its contractors, on the NASA Form 1018, as of the end of the fiscal year. Contractor costs for preparing these reports are included in the remuneration they receive under their contracts.

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2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

See the response to 1 above. Without these summary reports, NASA would not be able to meet legal requirements for property accounting and management system. It could not update its accounts to ensure that values are properly reflected on the Agency financial statements and would have to operate without important property management information. It would not be able to obtain an unqualified opinion on its financial statements.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

Contractors are only required to transcribe summary information from the records they already maintain, to the NASA Form 1018.

Beginning with reporting for FY 1999, NASA implemented the NF 1018 Electronic Submission System (NESS), a web-based system, for NF 1018 reporting. This system has received widespread acceptance. During the most recent (2011) reporting period virtually all of the respondents utilized the NESS. Effective with the report due as of September 30, 2001, NASA eliminated the requirement for any paper copies if the contractor uses the NESS. This provides an additional incentive for contractors to submit electronically. In addition, NASA has provided, on a regular basis, the contractors with NF 1018 reporting training, with substantial emphasis on the NESS (one of the three modules is entirely related to the NESS). The electronic system automatically checks mathematical calculations and prompts users to facilitate proper form preparation.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

NASA Office of the Chief Financial Officer, obtains contractor property information periodically throughout the fiscal year from only its top 55 contractors. Those submissions only capture information on property with values \$100,000 and higher. The NF 1018 reporting system requires submission of summary information for all NASA-owned/Contractor-Held Property which is not captured elsewhere.

5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.

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There is no significant amount of NASA property held by small businesses, hence, there is no significant impact on such organizations. FAR requires all contractors, large and small, to maintain property records and to submit property reports. Contractors are reimbursed for this work, either directly or indirectly through contract costs or prices. However, unlike larger business entities, small businesses, with small holdings are not required to submit other, more detailed, and more frequent, reports to the agency related to property holdings.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

Should the collection not be conducted or conducted less frequently than annually, NASA could not rely upon the data in its accounts on contractor-held property, would not be in compliance with OMB guidance on Form and Content of Agency Financial Statements, and would not be able to receive an unqualified audit opinion on its financial statements.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- * requiring respondents to report information to the agency more often than quarterly;
- * requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
- * requiring respondents to submit more than an original and two copies of any document;
- * requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;
- * in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;
- * requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
- * that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
- * requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

Not applicable

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received

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in response to that notice and describe actions taken by the agency in response to these comments.

Specifically address comments received on cost and hour burden. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

FRN1, 03/09/2012

FRN2, 07/03/2012

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

Not Applicable

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The NESS homepage contains a link to the NASA web privacy statement at:
http://www.nasa.gov/about/highlights/HP_Privacy.html .

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

Not Applicable

12. Provide estimates of the hour burden of the collection of information. The statement should:

* Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or

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complexity, show the range of estimated hour burden, and explain the reasons for the variance.

Generally, estimates should not include burden hours for customary and usual business practices.

* If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.

* Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 13.

Our estimates for future report requirements are based upon actual data for the NF1018 reports submitted during the 2011 reporting period.. A NF1018 reporting clause is included in all cost reimbursement contracts and any other contract when it is known at the time of award that property will be provided to the contractor or the contractor will acquire property to which the Government will have title. The actual number of contractors with reporting requirements will vary from year to year due to fluctuations in the number of applicable contracts with a reporting requirement. Therefore, we can only provide an estimate of the requirement.

Negative reports are required to ensure the completeness of the data in the Agency's PP&E accounts and on its financial statements. As the use of NESS has increased over the years, we estimated that nearly 100% of the respondents will submit electronically and assumed an average of 1.5 hours for electronic reports from contractors with minimal property holdings and an average of 23 hours preparation time for each electronic report where the contractor had custody of significant quantities of NASA property or holds property valued at or above \$100,000. For those contractors submitting paper reports, we estimated 2 hours and 24 hours, respectively. While the NESS has reduced time required to actually submit the report, there is considerable work required to develop the data to be reported, particularly where the contractor holds substantial quantities of NASA's property. Various calculations and determinations must be made prior to actual input of the data

Assume 99% of all respondents (large and small) use NESS and no paper copy is required for those respondents

649 (negative & <\$100K) X.99 = 643 using NESS

Total 643 using NESS

Preparation/submission time assumptions:

2 hours for paper, 1.5 for NESS

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643 X 1.5=	964.5
<u>6 X 2=</u>	<u>12</u>
	976.5 hours

649 total reports

976.5 total hours

Explanation of difference:

Program Changes – Although NASA has fewer contracts, there has been an increase in the number of contracts having property valued with an acquisition cost of \$100K or greater.

13. Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.

If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collections services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.

Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

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Contractors are required to maintain stewardship property records for NASA property in their custody by the Federal Acquisition Regulation and their particular contracts, not as a result of this information collection. The “cost” associated with this information collection is the cost of compiling the data, entering it on the NF108 and submitting the form. Contractors are reimbursed for this “cost” through the remuneration they receive under their contracts. The extent of these costs cannot be realistically estimated, without imposing another reporting requirement to collect such information, due to the wide disparity in contractor and subcontractor systems and NASA PP&E holdings.

14. Provide estimates of annualized costs to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.

Annualized cost to the Federal Government is estimated to be \$980,700. This includes communication with contractors, receipt and processing of the reports, accounting system entry at NASA Center and Agency levels, input to Agency financial statements, problem resolution, system maintenance, contractor and NASA personnel training and policy development and maintenance. Hours to accomplish these activities were estimated and labor was priced conservatively at an average of \$77 per hour, including fringe benefits and burden. Implementation of the FASAB accounting standards has led to the need for increased monitoring of the accuracy of contractors’ NF1018s, thus increasing the cost to the Government.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.

The change in values reported in item 13 is due an escalation factor applied for inflation.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

Not applicable. The results of this collection of information will not be published.

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17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

Not applicable.

18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.

None

B. Collections of Information Employing Statistical Methods

Not Applicable.