

Environmental Management (E.O. 13148), requires insertion of Alternates I or II to FAR clause 52.223-5, Pollution Prevention and Right-to-Know Information, in certain contracts that provide for performance on a Federal facility if an Environmental Management System (EMS) is being implemented. NASA is implementing an EMS. This NFS change implements FAC 2001-15 item number V by providing guidance on when to use the alternates. FAC 2001-14, clarified the use of the term "United States."

NFS section 1825.7001 is amended to remove the phrase "its possessions, and Puerto Rico" since it is no longer necessary based on the definition of "United States" contained in FAR Part 25. Lastly, this change to the NFS updates the designated NASA ombudsman.

This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of Executive Order 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

## B. Regulatory Flexibility Act

This final rule does not constitute a significant revision within the meaning of FAR 1.501 and Pub. L. 98-577, and publication for public comment is not required. However, NASA will consider comments from small entities concerning the affected NFS Parts 1805, 1823, 1825 and 1852 in accordance with 5 U.S.C. 610.

## C. Paperwork Reduction Act

The Paperwork Reduction Act does not apply because the changes do not impose recordkeeping or information collection requirements which require the approval of the Office of Management and Budget under 44 U.S.C. 3501, *et seq.*

### List of Subjects in 48 CFR Parts 1805, 1823, 1825, and 1852

Government Procurement.

Tom Luedtke,

Assistant Administrator for Procurement.

■ Accordingly, 48 CFR Parts 1805, 1823, 1825, and 1852 is amended as follows:

■ 1. The authority citation for 48 CFR Parts 1805, 1823, 1825, and 1852 continues to read as follows:

Authority: 42 U.S.C. 2473(c)(1)

### PART 1805—PUBLICIZING CONTRACT ACTIONS

■ 2. Remove section 1805.205

### PART 1823—ENVIRONMENT, ENERGY AND WATER EFFICIENCY, RENEWABLE ENERGY TECHNOLOGIES, OCCUPATIONAL SAFETY, AND DRUG-FREE WORKPLACE

■ 3. Add Subpart 1823.10 to read as follows:

#### Subpart 1823.10—Federal Compliance With Right-to-Know Laws and Pollution Prevention Requirements

##### 1823.1005 Contract clause.

(b) Use the clause with its Alternate I if the contract provides for contractor (1) Operation or maintenance of a NASA facility at which NASA has implemented or plans to implement an EMS, including, but not limited to the Jet Propulsion Laboratory and Michoud Assembly Facility; or

(2) Activities and operations—

(ii) The contracting officer and the procurement request initiator shall determine whether the contractor's activities or operations are covered within the EMS, in cooperation with the facility's environmental office, and in accordance with NPG 8553.1, "NASA Environmental Management System (EMS)" paragraph 1.2.c, and the local EMS documented procedures.

(c) Use the clause with its Alternate II whenever Alternate I is used.

### PART 1825—FOREIGN ACQUISITION

#### 1825.7001 [Amended]

■ 4. Amend section 1825.7001 by removing ", its possessions, and "Puerto Rico".

### PART 1852—SOLICITATION PROVISIONS AND CONTRACT CLAUSES

■ 5. Amend the clause at section 1852.215-84 by—

■ (a) Revising the date to read (OCT 2003, and

■ (b) In the second sentence of paragraph (b) removing "202-358-0422, facsimile 202-358-3083, e-mail [sthomps1@hq.nasa.gov](mailto:sthomps1@hq.nasa.gov)" and adding "202-358-0445, facsimile 202-358-3083, e-mail [james.a.balinskas@nasa.gov](mailto:james.a.balinskas@nasa.gov)" in its place.

[FR Doc. 03-27491 Filed 10-30-03; 8:45 am]

BILLING CODE 7510-01-P

### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

#### 48 CFR Parts 1845 and 1852

RIN 2700-AC73

#### Government Property—Instructions for Preparing NASA Form 1018

AGENCY: National Aeronautics and Space Administration.

ACTION: Interim rule.

**SUMMARY:** This interim rule amends the NASA Federal Acquisition Regulation Supplement (NFS) to provide a definition of obsolete property, to address contractor validation of 1018 data, to clarify reporting of software to which NASA has title, to clarify other property classifications, and to revise the date for submission of annual property reports. NASA uses the data contained in contractor reports for annual financial statements and property management. This change will provide for consistent reporting of NASA property by contractors.

**DATES:** *Effective Date:* This interim rule is effective October 31, 2003.

*Comment Date:* Comments should be submitted to NASA on or before December 30, 2003.

**ADDRESSES:** Lou Becker, NASA Headquarters, Office of Procurement, Contract Management Division (Code HK), Washington, DC 20546.

**FOR FURTHER INFORMATION CONTACT:** Lou Becker, NASA Headquarters, Office of Procurement, Contract Management Division (Code HK), Washington, DC 20546, telephone: (202) 358-4593, e-mail to: [lou.becker@nasa.gov](mailto:lou.becker@nasa.gov).

#### SUPPLEMENTARY INFORMATION

##### A. Background

Each year, NASA's financial statements are audited in accordance with generally accepted government auditing standards. NASA must maintain adequate controls to reasonably assure that property, plant and equipment and materials are presented fairly in its financial statements. Since contractors maintain NASA's official records for its assets in their possession, NASA uses the data contained in contractor reports for annual financial statements and property management. This interim rule provides policies and procedures related to obsolete property, contractor validation of 1018 data, and proper reporting of software to which NASA has title. This change will provide for consistent reporting of NASA property by contractors. It also reflects the need to change the date of submission for

annual property reports from October 31st to October 15th.

**B. Regulatory Flexibility Act**

NASA certifies that this interim rule will not have a significant economic impact on a substantial number of small businesses within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) because it clarifies existing property reporting policies and procedures contractors must follow when accounting for and reporting assets.

**C. Paperwork Reduction Act**

The Paperwork Reduction Act does not apply because the changes to the NFS do not impose new recordkeeping or information collection requirements which require the approval of the Office of Management and Budget under 44 U.S.C. 3501, *et seq.*

**D. Determination To Issue an Interim Rule**

In accordance with 41 U.S.C. 418(d), NASA has determined that urgent and compelling reasons exist to promulgate this interim rule. The basis for this determination is that the clarifications contained in this interim rule are needed to ensure consistent reporting of NASA assets in contractor annual reports to be submitted for Fiscal Year 2003. Public comments received in response to this interim rule will be considered in the formation of the final rule.

**List of Subjects in 48 CFR Parts 1845 and 1852**

Government procurement.

**Tom Luedtke,**

*Assistant Administrator for Procurement.*

■ Accordingly, 48 CFR Parts 1845 and 1852 are amended as follows:

■ 1. The authority citation for 48 CFR Parts 1845 and 1852 continues to read as follows:

Authority: 42 U.S.C. 2473(c)(1).

**PART 1845—GOVERNMENT PROPERTY**

■ 2. Revise section 1845.7101 to read as follows:

**1845.7101 Instructions for preparing NASA Form 1018.**

NASA must account for and report assets in accordance with 31 U.S.C. 3512 and 31 U.S.C. 3515, Federal Accounting Standards, and Office of Management and Budget (OMB) instructions. Since contractors maintain NASA's official records for its assets in their possession, NASA must obtain

periodic data from those records to meet these requirements. Changes in Federal Accounting Standards and OMB reporting requirements may occur from year to year, requiring contractor submission of supplemental information with the NASA Form (NF) 1018. The specific Statements of Federal Financial Accounting Standards (SFFAS) to be used for property records are SFFAS No. 3 "Accounting for Inventory and Related Property", SFFAS No. 6 "Accounting for Property, Plant and Equipment", SFFAS No. 10 "Accounting for Internal Use Software", and SFFAS No. 11 "Amendments to PP&E: Definitions" issued by the Federal Accounting Standards Advisory Board. Classifications of property, related costs to be reported, and other reporting requirements are discussed in this subpart. NF 1018 (see 1853.3) provides critical information for NASA financial statements and property management. Accuracy, completeness, and timeliness of the report are critical to many aspects of NASA's operations.

■ 3. Amend section 1845.7101-1 by revising paragraph (a), the introductory text of paragraphs (g) and (k) and paragraph (l) to read as follows:

**1845.7101-1 Property classification.**

(a) *General.* (1) Contractors shall report costs in the classifications on NF 1018, as described in this section. The cost of heritage assets and obsolete property will be reported on the NF 1018 under the appropriate classification. Supplemental reporting may also be required.

(2)(i) Heritage assets are property, plant and equipment that possess one or more of the following characteristics:

- (A) Historical or natural significance;
- (B) Cultural, educational or artistic importance; or
- (C) Significant architectural characteristics.

(ii) Examples of NASA heritage assets include buildings and structures designated as National Historic Landmarks as well as aircraft, spacecraft and related components on display to enhance public understanding of NASA programs. Heritage assets which serve both a heritage and government operation function are considered multi-use when the predominant use is in general government operations. Multi-use heritage assets will not be considered heritage assets for NF 1018 supplemental reporting purposes.

(3) Obsolete property is property for which there are no current plans for use in its intended purpose (*i.e.*, it no longer provides service to NASA operations). Examples of obsolete property are items in configurations which are no longer

required or used by NASA or items held for engineering evaluation purposes only. NASA may have approved the retention of these items for programmatic reasons even though they have no current plans for use.

\* \* \* \* \*

(g) *Equipment.* Includes costs of commercially available personal property capable of stand-alone use in manufacturing supplies, performing services, or any general or administrative purpose (for example, machine tools, furniture, vehicles, computers, software, test equipment, including their accessory or auxiliary items). Software integrated into and necessary to operate another item of Government property is considered to be an auxiliary item (see FAR 45.501) and should be considered part of the item of which it is an integral part. Other software to which NASA has title shall be classified as an individual item of equipment for reporting purposes if it has a useful life of 2 years or more and acquisition cost of \$1,000,000 or more (also see 1845.7101-3(g)). Enhancement costs for existing software should be added to the software acquisition cost if the enhancement results in significant additional capability beyond that for which the software was originally developed (*i.e.*, a capability that was not included in the original software specifications, the total cost of the enhancement is \$1,000,000 or more, or the expected useful life of the enhanced software is 2 years or more). Software licenses are excluded. Contractors shall separately report:

\* \* \* \* \*

(k) *Agency-Peculiar Property.* Includes costs of completed items, unique to NASA aeronautical and space programs, which are capable of stand-alone operation. Examples include research aircraft, reusable space vehicles, ground support equipment, prototypes, and mock-ups. The amount of property, title to which vests in NASA as a result of progress payments to fixed price subcontractors, shall be included to reflect the pro rata cost of undelivered agency-peculiar property. Completed end items not related to the International Space Station or the Space Shuttle program which otherwise meet the definition of Agency-Peculiar Property, and are destined for permanent operation in space, such as satellites and space probes, shall not be reported. Contractors shall separately report:

\* \* \* \* \*

(l) *Contract Work-in-Process.* Work-in-process (WIP) consists of property items under construction (*i.e.*, not complete).

It includes costs of all work-in-process regardless of value, and excludes costs of completed items reported in other categories. While the costs of WIP for International Space Station and Space Shuttle components should be included as WIP, satellites and space probes and their components should be excluded from WIP as those items will be accounted for by NASA.

■ 4. Amend section 1845.7101-2 by revising the introductory text and paragraphs (a) and (c) to read as follows:

**1845.7101-2 Transfers of property.**

A transfer is a change in accountability between and among prime contracts, NASA Centers, and other Government agencies (*e.g.*, between contracts of the same NASA Center, contracts of different NASA Centers, a contract of one NASA Center to another, a NASA Center to a contract of another NASA Center, and a contract to another Government agency or its contract). To enable NASA to properly control and account for all transfers, they shall be adequately documented. Adequate documentation includes the appropriate dollar amount of the asset(s) transferred (as prescribed in 1845.7101-3) and the formal, signed NASA or contractor authorization approving the transfer. In addition, procurement, property, and financial organizations at NASA Centers must effect all transfers of accountability, although physical shipment and receipt of property may be made directly by contractors. The procedures described in this section shall be followed to provide an administrative and audit trail, even if property is physically shipped directly from one contractor to another. Property shipped between September 1 and September 30, inclusively, shall be accounted for and reported by the shipping contractor, regardless of the method of shipment, unless written evidence of receipt at destination has been received. Repairables provided under fixed price repair contracts that include the clause at 1852.245-72, Liability for Government Property Furnished for Repair or Other Services, remain accountable to the cognizant NASA Center and are not reportable on NF 1018; repairables provided under a cost-reimbursement contract, however, are accountable to the contractor and reportable on NF 1018. All materials provided to conduct repairs are reportable, regardless of contract type.

(a) *Approval and notification.* The contractor must obtain approval of the contracting officer or designee for transfers of property off the prime contract before shipment. Each shipping document must be signed by the

contracting officer or designee demonstrating such approval. Each shipping document must contain contract numbers, shipping references, property classifications in which the items are recorded (including Federal Supply Classification group (FSC) codes for equipment), unit acquisition costs (as defined in 1845.7101-3, Unit Acquisition Cost), original Government acquisition dates for items with a unit acquisition cost of \$100,000 or more and a useful life of two years or more, and any other appropriate identifying or descriptive data. Where the DD Form 250, Material Inspection and Receiving Report, is used, the FSC code will be part of the national stock number (NSN) entered in Block 16 or, if the NSN is not provided, the FSC alone shall be shown in Block 16. The original Government acquisition date shall be shown in Block 23, by item. Other formats, such as the DD Form 1149, Requisition and Invoice/ Shipping Document, should be clearly annotated with the required information. Unit acquisition costs shall be obtained from records maintained pursuant to FAR Part 45 and this Part 1845, or, for uncompleted items where property records have not yet been established, from such other record systems as are appropriate such as manufacturing or engineering records used for work control and billing purposes. Shipping contractors shall furnish a copy of the formally approved shipping document to the cognizant property administrator. Shipping and receiving contractors shall promptly submit copies of shipping and receiving documents to the Center Deputy Chief Financial Officer, Finance, responsible for their respective contracts when accountability for NASA property is transferred to, or received from, other contracts, contractors, NASA Centers, or Government agencies.

\* \* \* \* \*

(c) *Incomplete documentation.* If contractors receive transfer documents having insufficient detail to properly record the transfer (*e.g.*, omission of property classification, FSC, unit acquisition cost, Government acquisition date, required signatures, etc.) they shall request the omitted data directly from the shipping contractor or through the property administrator as provided in FAR 45.505-2. The contracting officer shall assist the Government Property Administrator and the receiving contractor to obtain all required information for the receiving contractor to establish adequate property records.

■ 5. Amend section 1845.7101-3 by—

- (a) Redesignating paragraphs (c), (d), (e), and (f) as (d), (e), (f) and (h) respectively;
- (b) Adding a new paragraph (c);
- (c) Adding a new paragraph (g); and
- (d) Revising the redesignated paragraph (h).

Paragraphs (c), (g) and (h) read as follows:

**1845.7101-3 Unit acquisition cost.**

\* \* \* \* \*

(c) Acquisition cost shall be developed using actual costs to the greatest extent possible, especially costs directly related to fabrication such as labor and materials. Where estimates are used, there must be a documented methodology based on a historical basis. All acquisition costs shall be properly documented, supported and retained. Supporting documentation shall be made available upon request.

\* \* \* \* \*

(g) Software acquisition costs include software costs incurred up through acceptance testing and material internal costs incurred to implement the software and otherwise make the software ready for use. Costs incurred after acceptance testing are excluded. License, maintenance, training, and data conversion costs are also excluded. If the software is purchased as part of a package, the costs will need to be segregated in such manner as to ensure that the excluded costs (maintenance, training, etc.) are not reported as part of the software's acquisition cost. Enhancement costs for existing software should be added to the acquisition cost if the enhancement results in significant additional capability beyond that for which the software was originally developed (*i.e.* a capability that was not included in the original software specifications), the total cost of the enhancement is \$1,000,000 or more, and the expected useful life of the enhanced software is 2 years or more. Include the same types of cost as indicated above under new software. Costs incurred solely to repair a design flaw or perform minor upgrades should not be included.

(h) The computation of work in process (WIP) shall include all direct and indirect costs of fabrication, including associated systems, subsystems, and spare parts and components furnished or acquired and charged to work in process pending incorporation into a finished item. These types of items make up what is sometimes called production inventory and include programmed extra units to cover replacement during the fabrication process (production spares). Also included are deliverable items on which the contractor or a subcontractor

has begun work, and materials issued from inventory. The computation of WIP shall incorporate the other requirements for unit acquisition cost as outlined in paragraphs (a) through (e) of this section. In addition, acquisition cost of property furnished by the Government, which has been incorporated in the property item under construction or in process of fabrication, should be included. Do not include costs for operation or repairing existing completed property items. Once the property is complete, include all the costs outlined above in its acquisition value in the property record. The WIP values are inception to date until such time as the WIP is completed. It does not include future costs.

**PART 1852—SOLICITATION PROVISIONS AND CONTRACT CLAUSES**

■ 6. Amend the clause at section 1852.245-73 by revising the date of the clause and revising paragraph (c) to read as follows:

**1852.245-73 Financial Reporting of NASA Property in the Custody of Contractors.**

\* \* \* \* \*

**Financial Reporting of NASA Property in the Custody of Contractors (Oct 2003)**

\* \* \* \* \*

(c)(1) The annual reporting period shall be from October 1 of each year through September 30 of the following year. The report shall be submitted in time to be received by October 15. The information contained in these reports is entered into the NASA accounting system to reflect current asset values for agency financial statement purposes. Therefore, it is essential that required reports be received no later than October 15. Some activity may be estimated for the month of September, if necessary, to ensure the NF 1018 is received when due. However, contractors procedures must document the process for developing these estimates based on planned activity such as planned purchases or NASA Form 533 (NF 533 Contractor Financial Management Report) cost estimates. It should be supported and documented by historical experience or other corroborating evidence, and be retained in accordance with FAR Subpart 4.7, Contractor Records Retention. Contractors shall validate the reasonableness of the estimates and associated methodology by comparing them to the actual activity once that data is available, and adjust them accordingly. In addition, differences between the estimated cost and actual cost must be adjusted during the next reporting period. Contractors shall have formal policies and

procedures, which address the validation of NF 1018 data, including data from subcontractors, and the identification and timely reporting of errors. The objective of this validation is to ensure that information reported is accurate and in compliance with the NASA FAR Supplement. If errors are discovered on NF 1018 after submission, the contractor shall contact the cognizant NASA Center Industrial Property Officer (IPO) within 30 days after discovery of the error to discuss corrective action.

(2) The Contracting Officer may, in NASA's interest, withhold payment until a reserve not exceeding \$25,000 or 5 percent of the amount of the contract, whichever is less, has been set aside, if the Contractor fails to submit annual NF 1018 reports in accordance with 1845.505-14 and any supplemental instructions for the current reporting period issued by NASA. Such reserve shall be withheld until the Contracting Officer has determined that NASA has received the required reports. The withholding of any amount or the subsequent payment thereof shall not be construed as a waiver of any Government right.

\* \* \* \* \*

[FR Doc. 03-27490 Filed 10-30-03; 8:45 am]

BILLING CODE 7510-01-P