

Full Cost Initiative

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The purpose of this initiative is to develop and carry out full cost accounting, budgeting and management practices in NASA in order to support cost-effective mission performance through timely, reliable financial information and practices. Full cost management is expected to:

- Motivate project managers to operate efficiently
- Report information consistently, internally and externally
- Justify NASA's budget on a program or project basis
- Support analysis and decision making for management and reimbursement purposes.

In an environment of constrained budgets and increased expectations for oversight and accountability, Joe Struhar, Langley's Chief Financial Officer,

notes, full cost practices support compliance with several recent legislative and administrative mandates, such as the 1990 Chief Financial Officers (CFO) Act requiring cost information and reporting, and the 1993 Government Performance & Results Act (GPRA) requiring performance and resources measures (cost metrics). The National Performance Review (NPR) of 1993 also supports full cost accounting

In a nutshell, all costs, including civil service labor, are accounted for and reported in full cost. This includes direct costs, such as contractor-supplied hardware, salaries, benefits and travel; service costs, such as computing, engineering and fabrication; and "general and administrative" costs from the Center, Headquarters and the Enterprise. There are no "free" resources.

This is a new way of doing business for government, although highly competitive corporations have been doing it for years.

THOUSANDS Category	ACTUALS \$	FULL COST \$
Direct		
Salaries, Overtime, Benefit		10,235
Travel		180
Purchases, Contracts, Grants & Stock	82,837	83,922
Project Support	16,902	N/A
Service Cost Pools		
Fabrication	1,090	735
Engineering	742	289
Facility Operations & Test Support	1,497	2,315
Computer Services		11,536
Instrument Pool/Cal Lab		75
R&D Utilities (Major Research Facilities)		3,343
Imaging Technology		56
General R&D Facility Maint. & Utilities		1,005
General and Administrative		7,972
TOTAL	103,068	121,663

Figure 6. Lewis Research Center Full Cost Prototype—FY95 Activity
Project: High Speed Research (UPN 537)

Categories	Labor	Benefits	Travel	Pur. & Stock	Other		TOTAL
					ROS	FS41	
Direct Costs							
Service Pools	87,349	16,850	3,430	531,210			638,839
Fabrication	2,430	470	39	3,524			6,463
Engineering	5,555	1,078	70	3,132			9,835
Fac. Ops/Test Sup.	4,510	873	34	10,534			15,951
Computer Services	6,711	1,296	91	25,586			33,684
Inst. Pool/Cal. Lab	101	19	2	2,335			2,457
R&D Utility				6,897			6,897
(Maj. Res. Fac.)							
Imaging Technology	262	51	3	1,592			1,908
General R&D	4,437	860	53	24,919			30,269
Fac. Main/Util.							
G&A Costs	21,936	4,361	565	6,456	34,851	11,493	79,662
TOTAL	\$133,291	\$25,858	\$4,287	\$616,185	\$34,851	\$11,493	\$825,965

Figure 7. Lewis Research Center Summary by Categories & Elements of Cost
FY95 Activity (000)

The Full Cost Initiative was adopted by the NASA Administrator in 1995. In 1996, the NASA Performance Plan included various cost metrics, and full cost accounting and reporting for federal agencies is required by new Federal Accounting Standards. That same year, NASA completed prototype testing on the concept at Headquarters, Goddard, Lewis and Marshall. An Agencywide testing phase runs through 1998, the implementation phase in FY 1999 and by FY 2000: all of NASA will manage, budget and account in a full cost mode.

The key to full cost management is the project manager who maintains full cost visibility. This is consistent with business practice and the NPR's employee empowerment concept. Project managers will be able to control or influence more resources, and budget full costs through projects. Struhar says, "Active project manager input will produce the most useful tool" for managing projects, and with a strengthened project tie to budget requests, the NASA budget should become more credible and defensible.

The downside of full cost accounting is complexity, requiring more staff expertise. It is not easy to determine service cost pool amounts much less the general

and administrative costs of a project. The project manager has little control of those "overhead" costs. There is also potential risk to the technical base, the so-called "lightening rod" effect, due to full cost budgeting.

Nevertheless, the full cost concept continues to evolve. The 1996 prototype efforts at Headquarters and three Centers indicate that NASA incurred about \$5.8 billion in direct costs and about \$600 million each in service costs and G&A costs for a total of \$7.0 billion.

Before the full cost concept becomes operative in FY 2000, NASA plans a full year implementation phase to test the system and train the staff.

Full costing ties all costs to projects, the heart of NASA, supporting full disclosure and accountability for the very first time.

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