



**NOAA**

**NATIONAL OCEANIC AND  
ATMOSPHERIC ADMINISTRATION**  
UNITED STATES DEPARTMENT OF COMMERCE

# **Construction Work-In-Progress (CWIP)**

July 28, 2010

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# Agenda

- What is CWIP?
- Roles and Responsibilities
- Overall Process
- Recent Policy Changes
- CWIP Working Group
- CWIP Contacts





# What is CWIP?

- Construction Work in Progress (CWIP) and Internal Use Software in Development (IUSD):
  - Temporary asset holding accounts (1720 and 1832) used to track cost during the design and construction of property, plant, & equipment (PP&E).
  - Constructed – not bought as-is or off-the shelf.
  - Material **capital asset** on NOAA's financial statements.
- Criteria for CWIP (must meet all four conditions):
  - Aggregate **acquisition cost of \$200k or more**, and
  - Estimated **service life of 2 years or more**, and
  - **Long-term economic benefit** to the organization which maintains or obtains control, and
  - **Not intended for sale** in the ordinary course of operations.



# What is CWIP? (cont.)

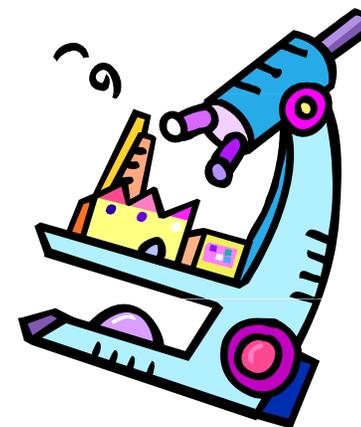
- PP&E shall be recorded as CWIP until **it is placed in service**, at which time the balance shall be transferred to general PP&E.
- Three major groups of general PP&E:
  - Real property, personal property, and internal use software.
- IUSD is a “subset” of CWIP; therefore, must follow CWIP Policy and Procedures along with Internal Use Software Guidance found in the NOAA Finance Handbook.





# Why do we care?

- Material asset to NOAA
  - CWIP made up 73% of NOAA's FY 2009 PP&E balance.
  - PP&E made up 52% of NOAA's FY 2009 total assets.
  - NOAA made up 85% of DOC's FY 2009 PP&E balance.
- Area of significant audit findings in the past.
  - DOC will FAIL annual financial audit if NOAA's CWIP balances are not fairly stated.





# Roles and Responsibilities

- NOAA Finance Office (FO):
  - Ensures that the policies are consistent with external requirements (e.g. FASAB).
  - Issues, interprets, monitors, and maintains the CWIP policy and procedures, including IUSD policy and procedures.
  - Maintains the CWIP Activity database and generates reports from the database.
  - Runs and reviews CWIP-related reports (e.g. CA500D).
  - Reviews CWIP reconciliations.
  - Reviews NF 37-6 forms.
  - Posts CWIP-related entries in CBS.





## Roles (cont.)

- NOAA Personal and Real Property Offices (Personal Property Management Branch (PPMB) and Real Property Management Division (RPMD)):
  - Overall responsibility for oversight of NOAA's CWIP activities.
  - Provides guidance on CWIP Policy and Procedures.
  - Reviews and provides guidance to determine whether an activity will result in a CWIP activity and of the policies for capitalization of personal and real property.
  - Reviews NF 37-6s and supporting CWIP documentation to ensure the accuracy of costs included in the CWIP asset.
  - Monitors CWIP activities.
  - Coordinates the mandatory CWIP training and tracks who has completed the training.



## Roles (cont.)

- Chief Financial Officer (L/SO CFO) and NOAA's CAO (Deputy CAO):
  - Ensures compliance with all CWIP policies and procedures.
  - Ensures all applicable CWIP activities are designated as CWIP at the start of the activity.
  - Ensures a CWIP Activity Manager and a CWIP Project manager is designated for each activity.
  - Ensures all CWIP Project and Activity Managers complete mandatory annual CWIP training.
  - Reviews and certifies CWIP reconciliations.
  - Reviews and certifies all NF 37-6s prior to submission to Finance and the appropriate Property Office.



## Roles (cont.)

- NOAA Line/Staff Office (L/SO) Headquarters Office:
  - Ensures compliance to all CWIP policies and procedures.
  - Provides construction needs and funding.
  - Ensures all CWIP requirements are met before expending the funds.
  - Provides CBS depreciation accounting
  - Designates a CWIP Activity Manager and CWIP Project manager for each activity.





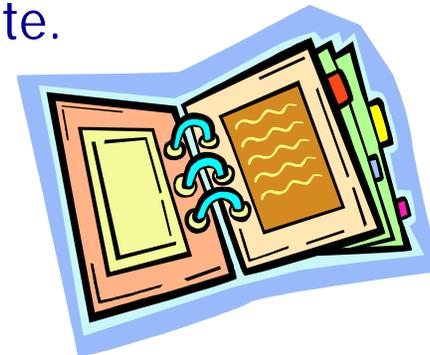
## Roles (cont.)

- CWIP Activity Manager (L/SO):
  - Has overall responsibility for financial and budgetary activities involving the activity.
  - Responsible for the accuracy of the valuation of the CWIP asset.
  - Adheres to all CWIP policies and procedures.
  - Completes mandatory annual CWIP training.
  - Maintains a complete and accurate CWIP documentation file.
  - Capture and allocate all costs correctly.
  - Prepares and maintains a schedule of completion for each CWIP activity to include start date, key milestones, and projected costs and completion date (including revision of CWIP completion dates).



# Roles (cont.)

- CWIP Activity Manager (cont.):
  - Reviews the monthly CWIP Activity Database reports.
  - Advises FO of changes to activity information that need to be made to the CWIP Activity Database.
  - Reviews CA500D report.
  - Reconciles CWIP documentation file to CWIP report (CA500D).
  - At completion of activity or when certain milestones are met, initiates action to record the CWIP costs as PP&E.
  - Notifies FO when project codes are complete.
  - Notifies FO when an activity is complete.





# Roles (cont.)

- CWIP Project Manager (L/SO):
  - Adheres to all CWIP policies and procedures.
  - Provides construction management support.
  - Provides needed CWIP documentation to the CWIP Activity Manager.
    - CWIP Determination Letter
    - Estimated schedules, including dates and costs
    - Awards and obligating documents
    - Invoices
  - Completes mandatory annual CWIP training.



# Overview of the CWIP Process



## Planning Phase

- Determining whether an activity is CWIP or not.
- Assigning a CWIP Activity Manager and a CWIP Project Manager
- Establishing a CWIP activity in the CWIP Activity Database.
- Establishing project codes.

## Construction Phase

- Tracking and capturing all the costs.
- Maintaining supporting documentation.
- Performing reconciliations.
- Monitoring and updating the CWIP Activity database.

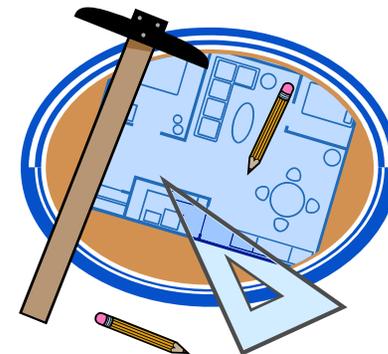
## Capitalization Phase

- Completing, reviewing, and certifying the NOAA Form (NF) 37-6, "Report of Property Constructed".
- Recording the asset in the appropriate property system and CBS.
- Closing out the CWIP activity.



# Overall Process

- Planning Phase
  - Determines whether an activity is CWIP or not. (L/SO, PPMB and RPMD)
  - Assigns a CWIP Activity Manager and a CWIP Project Manager. (L/SO)
  - Completes CWIP Determination Letter that documents why an activity is CWIP. (L/SO)
  - Establishes a CWIP Activity in the CWIP Activity database. (L/SO and FO)
  - Establishes project codes. (L/SO and FO)





# Overall Process (cont.)

- Construction Phase
  - Tracks and captures all the costs. (L/SO)
  - Maintains supporting documentation, specifically cost information, in CWIP Activity Manager's file. (L/SO)
    - Subset of the documentation due to RPMD/PPMB.
  - Performs monthly reconciliation of the CWIP Documentation File to CBS CWIP Report (CA500D). (L/SO)
  - Reviews the reconciliation. (FO)
  - Monitors and updates the CWIP Activity Database. (L/SO, PPMB, RPMD, and FO)





# Overall Process (cont.)

- Capitalization/Completion Phase
  - Completes the NF 37-6 form. (L/SO)
  - Reviews and certifies the NF 37-6. (FO)
  - Reviews and certifies the NF 37-6 and supporting documentation. (PPMB/RPMD)
  - Enters the asset into the appropriate property system. (PPMB/RPMD)
  - Recording the asset in CBS. (FO)
  - Closing out the CWIP activity (L/SO and FO)



# Policy Changes (since April 2009)



- CWIP Activity Database is now maintained by FO-FSB.
  - All references to BEX changed to FO-FSB.
  - Assigned a unique number, the CWIP Activity Number, to each CWIP activity in the database.
    - Revised CWIP Reconciliation Template to include the CWIP Activity Number.
  - Added and updated Appendix S – CWIP Activity Database and Related Form.
  - Clarified that, on the form, the word “ALL” can be entered as the task code when all task codes under a project code are going to relate to that one CWIP activity.
  - Form required for all new activities, project/task code adds or changes, or three or more changes.
  - One to two changes (except for project/task code adds or changes) can be submitted via email.



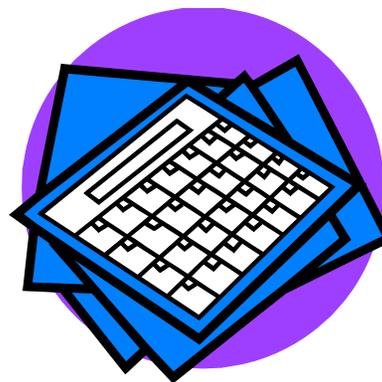
# Policy Changes (cont.)

- Revised processing timeline for the NF 37-6.
  - October 1 through July 12:
    - 40 calendar days for LO to forward completed NF 37-6 to FO.
    - 10 calendar days for FO to review and approve NF 37-6.
    - 30 calendar days for Property Office to review and approve NF 37-6.
    - 10 calendar days for FO to process GJ upon receipt of final NF 37-6.
    - Entire process should not exceed **90 calendar days** after acceptance date/BOD.
  - July 13 through August 31:
    - NF 37-6 must be submitted to FSB by September 10.
  - September 1 through September 30:
    - Estimated NF 37-6 is required.



# Policy Changes (cont.)

- Revised processing timeline for the NF 37-6. (cont.)
  - For NF 37-6s submitted to FO after August 11
    - FO and Property Offices' reviews will be adjusted to ensure that the NF 37-6 will be processed by year-end.
  - Will be reported in a quarter if the NF 37-6 is:
    - Signed by FO by the last day of the quarter-end and
    - Signed by the Property Office by the second business day of the following month.





# Policy Changes (cont.)

- Revised NF 37-6.
  - Added instructions.
    - Separate tab
    - “Pop-up” box on form
  - Revised wording of CFO/CAO signature box for “revised” NF 37-6 forms.
  - Changed the “Expected Useful Life of Asset (in Years)” drop-down menu to include all years between 2 and 40.
  - Included all personal property types of assets.
  - Identified whether the type of asset is personal or real property.
  - Divided “Fund Code/Project Code/Task Code” into 3 separate columns.
  - Added “Comments” section.





# Planning Phase (cont.)

- Established new process for approving CWIP/IUSD project codes.
  - Financial Management Center (FMC) completes Project Code Request Form.
  - FMC forwards completed forms, including approved CWIP Determination Letter, if applicable, to LO/SO Headquarters contact.
  - LO/SO Headquarters Office reviews and approves:
    - Project code request form and
    - Request to Add or Change CWIP Activity form (Database form).
  - LO/SO Headquarters enters/saves the CWIP/IUSD project code in CBS on CM004 screen but does not approve or activate the project code.



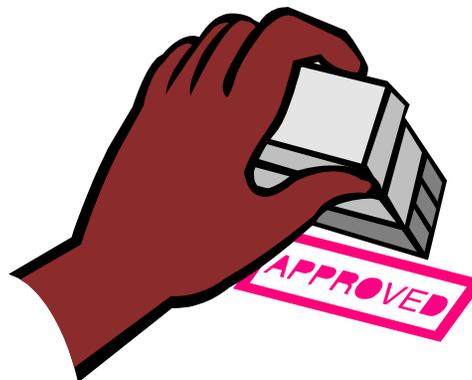
# Planning Phase (cont.)

- Established new process for approving CWIP/IUSD project codes. (cont.)
  - LO/SO Headquarters Office forwards to FO (Financial Reporting Division) the following forms:
    - Project code request form,
    - Request to Add or Change CWIP Activity form (Database form), and
    - CAO-approved CWIP Determination Letter (for new CWIP activities only)
  - FO reviews the forms to:
    - Ensure that the CWIP Determination letter and the project code request form contain the proper concurrences from CAO and LO/SO, respectively.
    - Ensure proper format of the project code structure.
    - Ensure that the CWIP Determination letter is completed at the start of a CWIP activity.



# Planning Phase (cont.)

- Established new process for approving CWIP/IUSD project codes. (cont.)
  - FO contacts Line Office, if corrections are needed.
    - Depending on the nature of the correction, corrections will be made either (1) by Finance with email confirmation of changes from the Line Office or (2) by the Line Office.
  - FO updates the CWIP Activity Database.
  - FO approves and activates CWIP/IUSD project codes in CBS (CM004) within one business day of receipt of forms (pending access to CBS and extent of errors).





## Policy Changes (cont.)

- Revised Property Office supporting documentation requirements.
- Revised the documentation flow regarding the NF 37-6 and CD-509 forms.
- Replaced CWIP Determination Letter template with two new versions – one for real property and one for personal property.
- Clarified that completed CWIP Determination Letters must have, at a minimum, the CWIP Activity Manager's signature and RPMD/PPMB's signature.
- Changed "fair value" to "net book value or fair value" for transfer-ins.



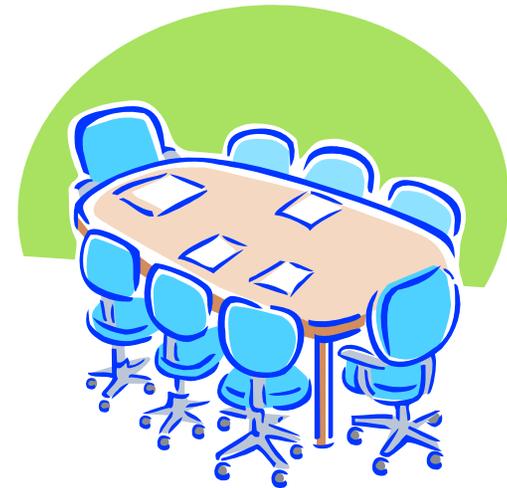
# Policy Changes (cont.)

- Updated "CWIP Activity Manager Responsibilities Memo".
- Clarified requirements regarding reimbursable funding and CWIP reconciliations.
- Included requirement that all CWIP Project and Activity Managers must have CWIP critical element language incorporated into their performance plans.
- Changed "phase codes" to "task codes".
- Revised responsibilities of the CWIP Project Managers and Activity Managers.
- Revised checklists to a "form" format.
- Updated CWIP Contacts.



# CWIP Working Group

- Proposed changes/updates to the policy and procedures are made to the CAO-led CWIP Working Group, where they are discussed and voted on.
  - Charter on the FO CWIP website.
  - Meets once a month.
  - Contacts:
    - Mary Ann Whitmeyer
    - Judy Mickens-Murray
    - Lisa Williams
    - Heather Potter
- Actual updates to the CWIP Policy and Procedures document are made by FO.





# Contacts in FO-FSB

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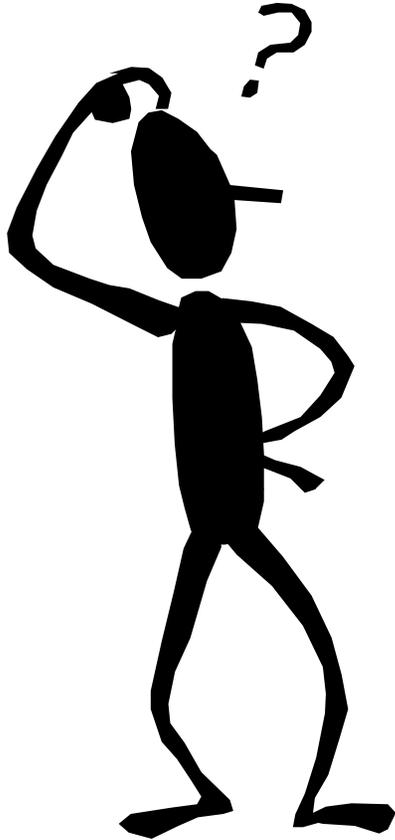
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Questions?

