

APPENDIX F

Policy and Procedures for Reporting Construction Work-In-Progress and Capitalization of GOES & POES Satellites, Their Component Sensors and Related Assets

POLICY

All CWIP and capitalization requirements that apply to personal property shall also apply the Geostationary and Polar Orbiting satellites, unless this policy provides otherwise.

RESPONSIBILITIES

The National Environmental Satellite, Data, and Information Service (NESDIS) is responsible for the determination of proper costs to be recorded for CWIP and capitalization of satellites. NESDIS is also responsible for performing a formal analysis, annually, to determine if any impairment of the CWIP asset has occurred, calculating the amount of CWIP to be capitalized for each satellite and maintaining the proper CWIP documentation to support the amount and audit requirements.

PROCEDURES

For FY 1996 and Prior

1. As of September 30, 1996, NESDIS and the now defunct Systems Acquisition Office (SAO) estimated the total projected costs to be capitalized for spacecraft, Satellite Operations Control Center (SOCC) testing, NASA technical management, NOAA technical management, SAO program management, launch services, and systems development for the satellite program. Then, the cost of each satellite was estimated by prorating the total projected costs (using the latest Presidents Budget) over the number of satellites in the program – this estimate provided the basis for capitalization amounts for operational satellites in the program.

NOTE: Accumulation of capitalized costs will terminate when a satellite is declared operational.

2. NESDIS and SAO forwarded the information needed to properly capitalize the operational satellites (including the acceptance date and estimated useful life of the satellite) to the NOAA property office so the satellites could be entered into the property system.
3. NESDIS and SAO prepared a documented schedule of satellite costs (including those mentioned in 1 above) that have accumulated from the start of the program until September 30, 1996. The total of the schedule less the amount of costs capitalized from above will then provide the CWIP amount.

For FY 1997 and Beyond

1. Capitalization

- a. NESDIS and SAO will estimate the total projected costs to be capitalized for the satellite program (using the Current President's Budget) and prorating this estimated cost (less the costs already capitalized) over the number of satellites in the program (by series) as of the beginning of the FY. This estimate will provide the capitalization amount for the satellites that is launched and becomes operational during the year. The projected capitalizable costs may differ from year to year. When a difference does occur, prior year capitalizations will not be adjusted.
- b. As each new satellite is officially declared operational by NESDIS, NESDIS and SAO will provide the capitalization costs to the property office so the satellite(s) can be entered into the property system and depreciation recorded.
- c. The last satellite in a series will be capitalized in the same manner as the first. The capitalized amount of the last satellite in a series will be adjusted from estimated cost to actual cost when all costs can be accounted for in the series. Thus, the cost of all satellites in a series are recorded at estimated cost, except for the last, which is adjusted up or down to recognize the actual costs of the satellite series. This procedure is necessary because the cost of the last satellite in a series of satellites will not be known until all cost documentation is received. When the last satellite is declared to be operational, accruals will be processed to move all remaining undelivered orders into CWIP cost.

NOTE: Accumulation of capitalized costs will terminate when a satellite is declared operational.

2. Construction Work-In-Process (CWIP)

- a. As of the end of each FY, NESDIS and SAO will prepare a schedule of total costs for spacecraft, satellite operations control center testing, NASA technical management, NOAA technical management, SAO program management, launch services, and systems development of the satellite program incurred during that period against the satellite program (by series).
- b. The total costs will be determined by including the obligations to date for those items contained in Section 2a., above, which are supported by documents maintained in NESDIS and SAO, less the total current undelivered orders from the FY year-end Quarterly Document Status Report, less the cost of satellites already capitalized.
- c. At the end of each FY, NESDIS and SAO will obtain information relating to the status of all non-operational satellites (i.e., percentage complete and estimated cost) from NASA. The value of the percentage complete will be compared to the recorded CWIP to ensure that CWIP includes the value of contract construction that is complete, but not billed. The data will be provided to NOAA FO-FSB, and financial statement adjustment(s) will be made, if necessary.

NOTE – SAO office is no longer in existence and was disbanded approximately in FY 2002.