

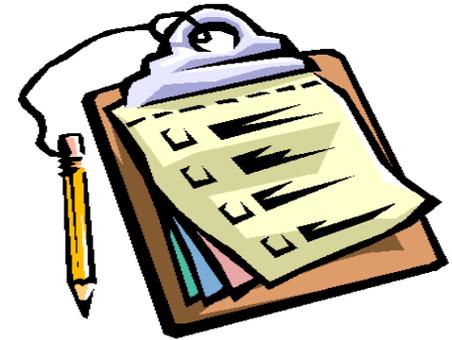


Construction Work-In-Progress (CWIP) Reconciliation Training

February 24, 2016

Agenda

- Welcome and Introductions
- CWIP and the CWIP Process
- CWIP Reconciliations
- CWIP Reconciliation Process
- Current CWIP Reconciliation Template
- Upcoming Updates
- Current NWS CWIP Activities and Status
- Questions





Overview of CWIP

- ▶ Construction Work in Progress (CWIP) and Internal Use Software Development (IUSD):
(referred to as CWIP in this presentation)
 - Temporary asset holding accounts used to track cost during the design and construction of PP&E
 - Constructed—not bought as-is or off-the-shelf
 - Capital asset on NOAA’s financial statement – included in PP&E on Balance Sheet

- ▶ Criteria for CWIP (must meet all four conditions):
 - Aggregate **acquisition cost of \$200,000 or more**, and
 - Estimated **service life of two years or more**, and
 - **Long-term economic benefit** to the organization that maintains or obtains control, and
 - **Not intended for sale** in the ordinary course of operations



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.



CWIP Reconciliations

- Purpose = Reconcile CWIP transactions/balances recorded in CBS (CA500D) to actual CWIP costs and supporting documentation (invoices, etc.) maintained by the Line Office.
 - Verification of CA500D report balances against an independent source.
- NOAA Finance uses the CWIP reconciliations to identify and record any adjustments in CBS.
- Auditors (CFO and A-123) request the CWIP reconciliations as part of their testwork.
 - NOAA has received several NFRs related to the CWIP reconciliations.
- CWIP reconciliations are prepared monthly with an extra “Q5” reconciliation prepared at year-end.



CWIP Reconciliation Process

- Performing reconciliations of the CWIP Documentation File to CBS CWIP Report (CA500D) (Line/Staff Office)
 - Independent verification of CWIP balances, by project and task code, on the CBS CWIP Report (CA500D)
 - CWIP Activity Managers must prepare a reconciliation of their Uncapitalized Cost balances - by project and task code and CWIP activity.
 - CWIP Reconciliation Template (web)
 - Reviewed, approved and signed by Line/Staff Office Chief Financial Officer (CFO) or Management and Budget (M&B) Chief
 - Send scanned copies (signed copies) and Excel versions of the reconciliations to Finance

CWIP Reconciliation Process (cont.)

- Reviewing the reconciliation (Finance Office)
 - Determine if any adjustments need to be made to the CBS
 - Make any necessary revisions to CBS





CWIP Reconciliation Template

- Heading
 - General information about the CWIP activity
 - Signature of CFO or M&B Chief

CWIP Reconciliation Template				
Comparing Activity Manager's CWIP Records to CBS CWIP Report (CA500D)				
For Period Ending:				Month Day, Year
CWIP Activity Information				
CWIP Activity Number (from CWIP Activity Database)		nnnnnn		
Activity Title		aaaaaaaa		
Line Office		aaaaaaaa		
CWIP Activity Manager		aaaaaaaa		
Prepared By		aaaaaaaa		
Preparer's Phone #		nnn-nnn-nnnn		
CFO/CAO (Deputy CAO) Signature & Date			<i>Date</i>	
or				
M&B Chief Signature & Date			<i>Date</i>	
Estimated Cost		\$\$\$\$\$\$		
CWIP Activity Inception Date		xx/xx/xx	Est. BOD/Acceptance Date	xx/xx/xx



CWIP Reconciliation Template (cont.)

- Columns A through D
 - Column D should be populated with information from source documents (e.g., invoices).
 - Column D should not be populated from the CA500D or MARS reports.
 - CWIPC and IUSDC codes are recommended to be listed separately at the bottom of the CWIP reconciliation.

9	A	B	C	D
10				
11				
12				
13	CWIP/ CWIPC or IUSD/ IUSDC	Fund Code	Project & Task Code(s)	CWIP Activity Manager's Uncapitalized Costs
14				
15			Project Code #1	8,900,000.00
16			Task Number	
17			Refurbishment	20,000,000.00
18			Project Code Total	28,900,000.00
19				
20			Project Code #2	
21			Task Number	
22			Task Number	
23			Project Code Total	0.00
24				
25				
26				



CWIP Reconciliation Template (cont.)

- Columns E through G
 - Information in columns E through G should be populated directly from CA500D without alteration.

C	E	F	G
	CA500D Information		
Project & Task Code(s)	Costs (Excludes Undelivered Orders)	Capitalized Costs (From NF 37-6(s))	Uncapitalized Costs
Project Code #1		-8,900,000.00	8,900,000.00
Task Number			
Refurbishment	20,000,000.00		20,000,000.00
Project Code Total	20,000,000.00	-8,900,000.00	28,900,000.00
Project Code #2			0.00
Task Number			
Task Number			
Project Code Total	0.00	0.00	0.00



CWIP Reconciliation Template (cont.)

- Column H
 - Shows the differences between the CWIP Activity Manager’s uncapitalized costs and the uncapitalized costs reported on the CA500D. (Column G minus Column D)

C	D	G	H (G - D)
		CA500D Information	
Project & Task Code(s)	CWIP Activity Manager's Uncapitalized Costs	Uncapitalized Costs	Differences
Project Code #1	8,900,000.00	8,900,000.00	0.00
Task Number			0.00
Refurbishment	20,000,000.00	20,000,000.00	0.00
Project Code Total	28,900,000.00	28,900,000.00	0.00
Project Code #2		0.00	0.00
Task Number			0.00
Task Number			0.00
Project Code Total	0.00	0.00	0.00



CWIP Reconciliation Template (cont.)

- Columns I through L: Reconciling Adjustments
 - Select the category that the difference (in Column H) is due to:
 - The amount of costs on the CA500D;
 - The amount of capitalized costs on the CA500D; or
 - The amount in the CWIP Activity Manager’s files/records.

C	I	J	K	L (I + J + K)
	Reconciling Adjustments to:			
Project & Task Code(s)	CA500D Costs	CA500D Capitalized Costs	CWIP Activity Manager's Files/ Records	Proof of Adjustments
Project Code #1		0.00	0.00	0.00
Task Number				0.00
Refurbishment				0.00
Project Code Total	0.00	0.00	0.00	0.00
Project Code #2	0.00	0.00	0.00	0.00
Task Number				0.00
Task Number				0.00
Project Code Total	0.00	0.00	0.00	0.00



CWIP Reconciliation Template (cont.)

- Column M: Explanation
 - An explanation should be provided for any differences and reconciling adjustments noted in Columns H through L.

C	L (I + J + K)	M
Project & Task Code(s)	Proof of Adjustments	Explanation of Adjustment(s) (Explain column as needed or use wrap text function)
Project Code #1	0.00	Amount represents transfer in of ship from Navy.
Task Number	0.00	
Refurbishment	0.00	
Project Code Total	0.00	
Project Code #2	0.00	No adjustments needed.
Task Number	0.00	
Task Number	0.00	
Project Code Total	0.00	



CWIP Reconciliation Template (cont.)

- Proof of Costs Section (at the bottom of the reconciliation)
 - This section should be populated with information from the CA500D report.

Proof of Costs:		CBS CWIP Report (CA500D) Information	
Project Code	Costs	Undelivered Orders	Total Obligations
Project Code 1	0.00	0.00	0.00
Project Code 1	20,000,000.00	0.00	20,000,000.00
Project Code 2	0.00	0.00	0.00
Project Code 3	0.00	0.00	0.00
Activity Total	\$20,000,000.00	\$0.00	\$20,000,000.00



CWIP Reconciliation Template (cont.)

- Best Practices
 - The CWIP reconciliation process feeds into the capitalization package process by ensuring that the CWIP Activity Manager's files are complete and contain the support for all costs being recorded as CWIP to be capitalized.
 - Use the checklists (on the web).
 - CA500D report
 - Consider use of an Access database to link codes to CWIP activities.
 - Import Excel version of the CA500D.



Upcoming Updates

- New CWIP Reconciliation template
 - Certification lines for CWIP Activity Manager and Preparer (if different)
 - Cleaner presentation
 - Conditional formatting for differences
 - Proof of Costs – optional
- Instructions for the CWIP Reconciliation



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Questions?





Additional Information Regarding Costs and Supporting Documentation



Construction Phase

- Tracking and capturing all the costs (Line/Staff Office)
 - PP&E should be recorded at cost. Cost shall include all costs incurred to bring PP&E to a form and location suitable for its intended use
 - Cost of PP&E may include
 - amounts paid to vendors
 - transportation charges to the point of initial use
 - handling and storage costs
 - labor and other direct or indirect production costs (for assets produced or constructed)
 - engineering, architectural, and other outside services for designs, plans, specifications, and surveys
 - acquisition and preparation costs of buildings and other facilities



Construction Phase (cont.)

- Tracking and capturing **all** the costs (cont.)
 - Cost of PP&E (cont):
 - An appropriate share of the cost of the equipment and facilities used in construction work
 - Fixed equipment and related installation costs required for activities in a building or facility
 - Direct costs of inspection, supervision, and administration of construction contracts and construction work
 - Legal and recording fees and damage claims
 - Fair value of facilities and equipment donated to the government
 - Material amounts of interest costs paid
- (FASAB SFFAS 6, "Accounting for PP&E", paragraph 26)



Construction Phase (cont.)

- ▶ Tracking and capturing **all** the costs (cont.)
 - Examples of costs that **should be included** in CWIP for capitalization are (but not limited to)
 - Labor costs for design and engineering
 - Actual contract costs with modifications for architectural and engineering contract design
 - Storage costs of Government Funded Equipment (GFE) delivered prior to installation date
 - Construction contract and all modifications
 - Materials and all actual labor associated with construction
 - Incidental and administrative costs representing labor for procurement, finance, supervisory, clerical and all other non-labor administrative costs (Rates used are 3% and 5%)
 - Direct labor, leave, and benefits
 - Construction and installation costs



Construction Phase (cont.)

- Tracking and capturing **all** the costs (cont.)
 - It is the CWIP Activity Manager's responsibility to ensure that all costs, both capital and expense, are captured and allocated correctly
 - CWIP Activity Managers are responsible for reviewing all obligating documents and determining that each cost charged to a CWIP activity is correct
 - Capitalized as CWIP and assigned to the CBS CWIP project code, **or**
 - Expensed as non-CWIP and assigned to the CBS non-CWIP project code
 - Create a spreadsheet to track expenses



Construction Phase (cont.)

- Tracking and capturing **all** the costs (cont.)
 - PP&E that is **integral** to the CWIP asset should be included in the cost of the CWIP asset when it meets the following two criteria:
 - PP&E is built into the CWIP asset such that **its removal would damage** the CWIP asset or the PP&E or **impair the intended use** of the CWIP asset or the PP&E **and**
 - PP&E is **immaterial** relative to the related CWIP asset
 - When determining materiality, both cost and useful life should be considered
 - PP&E that is **non-integral**:
 - If it meets the capitalization threshold, should be capitalized as a separate asset
 - If it does not meet the capitalization threshold, should be expensed and recorded as accountable property



Construction Phase (cont.)

- Tracking and capturing **all** the costs (cont.)
 - Examples of costs that **should not be included** in CWIP and should be expensed are (but not limited to):
 - Planning activities that do not result in final design
 - Ordinary administrative supplies (e.g. copy paper, office equipment)
 - PP&E constructed for Research and Development intended as experimental, changing product rather than as a finished product
 - Personal property equipment used for administrative support
 - Non-integral PP&E not meeting capitalization threshold
 - Spare parts
 - Outfitting costs that do not meet the capitalization threshold



Construction Phase (cont.)

- Maintaining supporting documentation (L/SO)
 - Two files:
 - CWIP Activity Manager's file
 - Documentation due to the Property Office
 - CWIP Activity Manager is responsible for maintaining adequate supporting documentation



Construction Phase (cont.)

- Maintaining supporting documentation (cont.)

Documentation Req.	CWIP Activity Manager's File	Property File
CWIP Determination Letter	✓	✓
Acceptance documentation or BOD letter	✓	✓
Annual SLTs for incidental and administrative costs, if applicable	✓	✓ (not annual)
CBS CWIP Report (CA500D) and other related CBS accounting reports	✓	✓
Copies of invoices to support amounts reported on the NF 37-6	✓	N/A
CBS labor reports	✓	N/A
CBS cost reports	✓	N/A



Construction Phase (cont.)

- Maintaining supporting documentation (cont.)

Documentation Req.	CWIP Activity Manager's File	Property File
Copies of construction or production contract (including Statement of Work), copies of CBS bankcard statements, all modifications, and both partial and final invoices	✓	Contract and any mods that contain amount and deliverables
Copies of travel vouchers for inspections or design review	✓	N/A
Copies of architectural and engineering contract task orders and related invoices	✓	N/A
Bills of lading for transportation charges	✓	N/A
Copies of contracts for construction management services and related invoices	✓	N/A



Construction Phase (cont.)

- Maintaining supporting documentation (cont.)

Documentation Req.	CWIP Activity Manager's File	Property File
Copies of billing for space charges for storage costs for Government Funded Equipment (GFE) delivered prior to installation date	✓	N/A
Copies of invoices for duplicating drawings and specifications for final design	✓	N/A
Copies of purchase orders, Receipt and Inspection Reports and related invoices for materials purchased for in house construction	✓	N/A
NF37-509 "Property Transaction Report" (personal property only)	✓	✓



Construction Phase (cont.)

- Maintaining supporting documentation (cont.)

Documentation Req.	CWIP Activity Manager's File	Property File
Transfer documentation, if applicable	✓	✓
Useful life certification following Real/Personal Property guidance and corresponding to the useful life on the NF 37-6	N/A	✓
Spreadsheet tying obligating documents to the asset cost on NF 37-6.	✓	✓
Completed FRPM data entry form (real property)	N/A	✓



Construction Phase (cont.)

- Maintaining supporting documentation (cont.)
 - Property Offices reserve the right to request additional detailed information
 - Concerns related to documentation:
 - Correct Acquisition Cost
 - Valid Acquisition Organization Code(s) and Project and Task Code(s)
 - Valid Depreciation Organization Code and Project and Task Codes(s)
 - Signed forms