



NOAA

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

Construction Work-In-Progress (CWIP)

June 8, 2016

Agenda

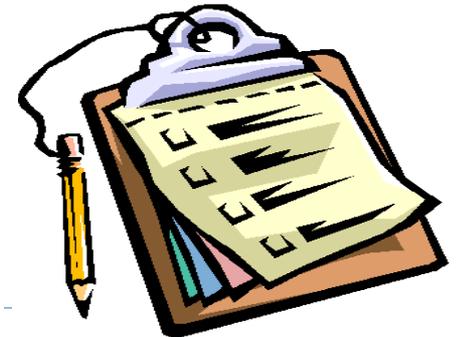
- ▶ **Basic Information**
 - Definitions
 - Roles and Responsibilities
 - Training Requirements

- ▶ **Phase I: Planning (Setting up a CWIP Activity)**

- ▶ **Phase II: Construction (During a CWIP Activity)**

- ▶ **Phase III: Capitalization (Completion of a CWIP Activity)**

- ▶ **Recent Changes to CWIP Policy**





What is PP&E?

- ▶ **Property, Plant, & Equipment (PP&E) are tangible assets that:**
 - Have an estimated useful life of two or more years;
 - Not intended for sale in the ordinary course of business; and
 - Intended to be used or available for use by the entity
(FASAB SFFAS No. 6, “Accounting for PP&E”, paragraph 17)

- ▶ **NOAA’s capitalization threshold: \$200,000**

- ▶ **PP&E (non-CWIP) should be recognized:**
 - When title passes to the acquiring entity or
 - When the PP&E is delivered to the entity or an agent of the entity.

What is PP&E? (cont.)

- ▶ Three major groups of PP&E: real property, personal property, and internal use software
 - Real property: Permanent improvements to land
 - Personal property: Equipment, temporary improvements to land, anything not real property (includes internal use software)
 - Internal use software: Application and operating system programs, procedures, rules, and any associated documentation purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to **meet the entity's internal or operational needs**





What is CWIP and IUSD?

- ▶ **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

- ▶ IUSD is a “subset” of CWIP; therefore, must follow CWIP policy.



CWIP and IUSD? (cont.)

- ▶ **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

- ▶ **PP&E shall be recorded as CWIP until it is placed in service, at which time the balance shall be transferred from CWIP to general PP&E.**
(FASAB SFFAS No. 6, "Accounting for PP&E", paragraph 34)



Why do we care?

- ▶ **Required by law.**
 - Chief Financial Officers (CFO) Act of 1990
 - Required each executive branch agency to prepare annual financial statements
 - FASAB SFFAS 6, “Accounting for Property, Plant, & Equipment”, SFFAS 10, “Accounting for Internal Use Software”, and SFFAS 44 “Accounting for Impairment of General Property, Plant, & Equipment Remaining in Use”
 - Provides the guidance under which assets for the financial statements are reported



Why do we care? (cont.)

▶ Material asset to NOAA

- CWIP made up 75% of NOAA's FY 2015 PP&E balance
- PP&E made up 70% of NOAA's FY 2015 total assets
- NOAA made up 88% of DOC's FY 2015 PP&E balance
- Amounts (in thousands) as of 9-30-2015 (post close):

NOAA CWIP	8,592,917
NOAA Total PP&E	11,414,261
NOAA Total Assets	16,383,625
DOC Total PP&E	12,948,649
DOC Total Assets	39,463,730



Why do we care? (cont.)

- ▶ Material item on balance sheet; therefore, it will be tested as part of the audits.

- ▶ Types of Audits:
 - OMB A-123
 - Management's responsibility for internal controls -- establishment, assessment, correction and reporting on internal controls.
 - Financial Audit (CFO Audit)
 - Accuracy of information reported in the financial statements (Performance Accountability Report (PAR)) of the Department.



Why do we care? (cont.)

Material Weakness

**Significant
Deficiency**

Finding/NFR





Why do we care? (cont.)

- ▶ Several audit findings in FY 2015 and FY 2014.

- ▶ **Significant Deficiency** and several audit findings in FY 2013;
Material weakness and several audit findings in FY 2012.
 - DOC will FAIL annual financial audit if NOAA's CWIP balances are not fairly stated.

- ▶ Making progress but we need to remain vigilant.



Challenges - FY 2016 & Beyond

- ▶ Classification of costs – capitalize or expense
- ▶ Calculating and capitalizing appropriate indirect costs
- ▶ Completeness of CWIP
- ▶ Timeliness
 - ▶ Setting up CWIP activities and related project codes
 - ▶ Resolving difference from CWIP reconciliations
 - ▶ NF 37-6s
 - ▶ Closing CWIP activities
- ▶ Date costs transferred from CWIP to PP&E
- ▶ Non-compliance with CWIP Policy
- ▶ Impairments
- ▶ Open communication





Recent Updates to CWIP Policy

- ▶ Project codes in cancelling fund codes and presentation on reconciliations and NF 37-6s
- ▶ Clarification of types of costs
- ▶ Indirect Costs
- ▶ CWIP Activity Manager (and Preparer, if different) must sign the CWIP reconciliations
- ▶ Unpaid expenditures must equal \$0 before project code will be purged
- ▶ Revisions to Appendix F related to NESDIS satellites
- ▶ CWIP.Notification@noaa.gov

Roles and Responsibilities NOAA Finance Office



- ▶ **NOAA Finance Office (FO):**
 - Ensures that the policies are consistent with external requirements (e.g. FASAB)
 - Issues, interprets, monitors, and maintains the CWIP policy
 - 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 and Responsibilities

NOAA Personal & Real Property



- ▶ **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
 - 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 and Responsibilities

CFO/CAO



- ▶ **Chief Financial Officer (L/SO CFO) and NOAA's CAO (Deputy CAO):**
 - Ensures compliance with CWIP policy
 - 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 Activity and Project Managers complete mandatory CWIP training each fiscal year (online CLC Training)
 - Reviews and certifies CWIP reconciliations
 - Reviews and certifies all NF 37-6s prior to submission to Finance and the appropriate Property Office

Roles and Responsibilities NOAA Line/Staff Office



- ▶ **NOAA Line/Staff Office (L/SO):**
 - Ensures compliance with CWIP policy
 - Provides construction requirements and funding
 - Ensures all CWIP requirements are met before expending the funds
 - Provides CBS depreciation accounting codes (organization code and project and task code) to the CWIP Activity Manager

Roles and Responsibilities CWIP Activity Manager



- ▶ **CWIP Activity Manager (L/SO):**
 - Has overall responsibility for financial and budgetary actions involving the activity
 - Adheres to CWIP policy
 - Has CWIP critical element language in their performance plan
 - Completes mandatory CWIP training each fiscal year
 - Responsible for the accuracy of the valuation of the CWIP asset
 - Maintains a complete and accurate CWIP documentation file
 - Captures and allocates all costs correctly

Roles and Responsibilities CWIP Activity Manager (cont.)



- ▶ **CWIP Activity Manager (L/SO) (cont.):**
 - Reviews the monthly CWIP Activity Database reports
 - Advises Finance 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)
 - Initiates action to record the CWIP costs as PP&E (NF 37-6)
 - Notifies Finance when project codes are complete
 - Notifies Finance when an activity is complete

Roles and Responsibilities NOAA Project Manager



- ▶ **CWIP Project Manager (L/SO):**
 - Adheres to CWIP policy
 - Has CWIP critical element language in their performance plan
 - Provides construction management support
 - Provides needed CWIP documentation to the CWIP Activity Manager
 - CWIP Determination Letter for all NESDIS open activities
 - Estimated schedules, including dates and costs
 - Awards and obligating documents
 - Invoices
 - Completes mandatory CWIP training each fiscal year



Training Requirements

- ▶ Mandatory training is required each fiscal year by all CWIP Activity Managers and CWIP Project Managers.
- ▶ New CWIP Activity/Project Managers must complete the training within one month of their appointment.
- ▶ LO CFO is responsible for ensuring the compliance and completion of the annual CWIP training.
- ▶ Training is online.
[Commerce Learning Center \(CLC\)](#)
- ▶ Training is in the process of being updated to address the changes in the policy.





Critical Element Requirement

▶ Per the CWIP Policy:

All CWIP Project and Activity Managers must have CWIP critical element language incorporated into their performance plans

- CWIP Element language can either be incorporated into another element or it can be a stand-alone element
- Minimum element weight is 5%, and the minimum element weight in the Five-Level Performance Management System is 15%
- Recommended that CWIP element constitute at least 15% but no more than 25%



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.



Planning Phase

- ▶ Determining whether an activity is CWIP or not (L/SO, PPMB and RPMD)
 - Several items to consider:
 - To be capitalized?
 - CWIP Criteria
 - Capital Improvements
 - Bulk Purchases
 - Reimbursable Funds
 - Leasehold Improvements
 - Multiple Buildings
 - Demolition of Federal Buildings



Planning Phase (cont.)

- ▶ **Determining whether an activity is CWIP or not (cont.)**
 - Expected to be capitalized by NOAA
 - Must meet all of the following four criteria for capitalization:
 - Aggregate **acquisition cost of \$200,000 or more**;
 - Estimated **service life of two years or more**;
 - **Long-term economic benefit** to the organization that maintains or obtains control; and
 - **Not intended for sale** in the ordinary course of operations
 - Determination should be made **prior** to any costs being incurred
 - Considered CWIP even if project construction and capitalization begin and finish in the same fiscal year





Planning Phase (cont.)

- ▶ **Determining whether an activity is CWIP or not (cont.)**
 - Capital improvement projects should be evaluated to determine if they are CWIP or not
 - Consider whether the useful life of the asset is extended, or whether the project enlarges/improves the asset's service capacity
 - Bulk purchases should also be evaluated
 - An acquisition of a quantity of **similar items** individually costing \$25,000 or more, but less than \$200,000, and where the total monetary value of the one-time acquisition of those items is \$1 million or more
(http://www.pps.noaa.gov/New_menu/bulk.htm)
 - Reimbursable costs should not be recorded as CWIP
 - Costs should be considered in determining the estimate of the overall CWIP activity.



Planning Phase (cont.)

- ▶ **Determining whether an activity is CWIP or not (cont.)**
 - Leasehold Improvements (including SLAs, RWAs, and interagency agreements): Improvements to leased property should be capitalized if the improvements meet the CWIP criteria for capitalization.
 - Entire buildings built on leased land are considered leasehold improvements
 - Depreciation – lesser of useful life or lease term
 - Multiple Buildings
 - Renovation projects involving more than one asset should be identified up front in the determination letter
 - Structures should also be identified
 - Required to report structures such as parking lots separately for Federal Real Property Council (FRPC) reporting
 - Make sure names being used for buildings correspond to asset name in Federal Real Property Management (FRPM)



Planning Phase (cont.)

- ▶ **Determining whether an activity is CWIP or not (cont.)**
 - **Demolition of Federal Buildings**
 - Complex process
 - Contact Lisa Williams in RPMD
 - **If unsure whether an activity is CWIP or if there is even the slightest possibility that an activity may be CWIP:**
 - **Contact the FO and the Property Offices for guidance**
 - Helps to avoid considerable difficulties in getting the data corrected in CBS





Planning Phase (cont.)

- ▶ **Assigning a CWIP Activity Manager and a CWIP Project Manager (L/SO)**
 - Mandatory CWIP training must be completed each fiscal year by both the CWIP Activity Manager and the CWIP Project Manager
 - Develop schedule(s) that identify significant events and milestones over the life of the CWIP Activity
 - Set up CWIP documentation file
 - Provide construction management
 - Responsible for financial and budgetary activities of the CWIP activity
 - Ensure the accuracy of the valuation of the CWIP asset(s)



Planning Phase (cont.)

- ▶ **Completing CWIP Determination Letter that documents why an activity is CWIP (L/SO)**
 - Serves as documentation of the determination
 - Also serves to gather additional information regarding the activity.
 - Number of assets being constructed? (Personal Property)
 - Involving more than one building? (Real Property)
 - On leased land? (Real Property)
 - Disposal involved? (Real Property)
 - Completed CWIP Training?
 - Two templates – one for real property activities and one for personal property activities.
 - Signed, at a minimum, by the CWIP Activity Manager and the appropriate Property Office





Planning Phase (cont.)

▶ CWIP Determination Letter (cont.)

■ Includes:

- Type of asset(s) being constructed (i.e. personal property, real property, internal use software)
- Description of CWIP Activity/Asset(s)
- Initial Cost Estimate
- Estimated Useful Life of Asset(s)
- CWIP Criteria
- Conclusion
- Additional information regarding the CWIP activity and/or asset(s) being constructed



Planning Phase (cont.)

- ▶ **CWIP Determination Letter (cont.)**
 - Approved and signed off by CAO (PPMB and RPMD) within five business days of receipt.
 - Copies sent by CWIP Activity Manager to:
 - Activity Manager
 - Project Manager
 - LO CAO/CFO
 - Property Manager
 - CAO (PPMB/RPMD)
 - Finance Office
 - CIO, if Internal Use Software
 - Letter can be prepared months in advance.
 - Should be completed prior to setting up any project codes.





Planning Phase (cont.)

- ▶ Establishing a CWIP activity in the CWIP Activity database (L/SO, FO)
 - Database:
 - Identifies all open CWIP activities (real and personal)
 - Identifies all active CBS CWIP project codes linked to a CWIP activity
 - Identifies all active CBS CWIP project codes not linked to a CWIP activity
 - Tracks mandatory submissions of CWIP reconciliations
 - Success is contingent on L/SO support



Planning Phase (cont.)

- ▶ **CWIP Activity database (cont.)**
 - L/SO completes “Request to Add or Modify a CWIP Activity Form”, including:
 - Activity Number
 - Activity Title
 - Estimated Placed in Service Date
 - Estimated Cost
 - Project and Task Codes
 - CWIP Activity Manager
 - CWIP Project Manager
 - CWIP Reconciliation Preparer
 - Finance enters data into the CWIP Activity database based on this form prepared by the L/SO



Planning Phase (cont.)

- ▶ **Establishing project codes (L/SO, FO)**
 - **Minimum of three unique CBS project codes:**
 - CWIP project code to capture costs to be capitalized
 - CWIP project code to capture indirect costs to be capitalized
 - Non-CWIP project code to capture costs to be expensed
 - **One project code to one CWIP activity**
 - Two different CWIP activities cannot use the same project code.
 - No shared codes





Planning Phase (cont.)

- ▶ Establishing project codes (cont.)
 - Financial Management Center (FMC) completes Project Code Request Form
 - <http://www.corporateservices.noaa.gov/finance/projtaskdwld.html>
 - Ensure project type field is “CWIP” or “IUSD” for CWIP project codes
 - Required for inclusion in CBS CWIP report, CA500D
 - Ensure project code structure is appropriate
 - OR&F appropriations
 - 2nd position of project code **must** be ‘4’ (i.e. x4xxxxx)
 - PAC appropriations
 - 2nd position of project code **must** be ‘2’ and 4th position of project code **must** ‘F’ (i.e. x2xFxxx)



Planning Phase (cont.)

- ▶ Establishing project codes (cont.)
 - FMC forwards completed forms, including approved CWIP Determination Letter, if applicable, to Headquarters CWIP Budget Coordinator
 - L/SO Headquarters Office reviews and approves:
 - Project code request form, and
 - Request to Add or Change CWIP Activity form (Database form)
 - L/SO Headquarters enters/saves the CWIP/IUSD project code in CBS on CM004 screen but does not approve or activate the project code
 - L/SO Headquarters Office forwards to Finance (Financial Statements Branch) 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)



Planning Phase (cont.)

- ▶ **Establishing project codes (cont.)**
 - Finance reviews the forms to:
 - Ensure that the CWIP Determination letter and the project code request form contain the proper concurrences from CAO and L/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
 - Finance contacts L/SO, 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 L/SO or (2) by the L/SO
 - Finance updates the CWIP Activity Database
 - Finance 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)





Construction Phase

- ▶ Tracking and capturing all the costs (L/SO)
 - Direct or indirect; capitalized or expensed
 - 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)



Construction Phase (cont.)

- ▶ Tracking and capturing **all** the costs (cont.)
 - Cost of PP&E (cont):
 - engineering, architectural, and other outside services for designs, plans, specifications, and surveys
 - acquisition and preparation costs of buildings and other facilities
 - 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
 - Direct labor, leave, and benefits
 - Construction and installation costs



Construction Phase (cont.)

- ▶ Tracking and capturing **all** the costs (cont.)
 - Indirect costs
 - Jointly or commonly used by activities/projects and cannot be specifically identified with or traced to a particular project
 - Capitalized or expensed
 - Each Line/Staff Office must develop a methodology (reviewed and approved by Finance) to identify and capture the appropriate indirect costs in CWIP for each of their CWIP activities.
 - Captured for each CWIP activity via an annual SLT unless asset is placed in service prior to adjustment, and then an adjustment should be made prior to capitalization.
 - Costs to consider = indirect labor and benefits; travel, printing, and other similar costs; facilities, equipment, and maintenance; contractor support services



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.)

- ▶ Tracking and capturing **all** the costs (cont.)
 - Reimbursable Costs
 - Included in the total value only if the MOU transfers or identifies the asset as belonging to NOAA at the end of the construction period
 - Project code structure will not follow the unique CWIP structure
 - Project codes should be setup and accounted for as reimbursables
 - Reimbursable amounts should be reported to Finance quarterly
 - At the end of the CWIP activity:
 - Portion of CWIP asset funded by the reimbursable sponsor should be “transferred” to NOAA
 - NF 37-6s must include the NOAA portion (the CWIP project codes) **and** the “transferred-in” portion from the reimbursable sponsor





Construction Phase (cont.)

- ▶ Tracking and capturing **all** the costs (cont.)
 - Incomplete CWIP/Impairments
 - Impairment: a significant and permanent decline in the service utility of general PP&E or expected service utility for CWIP (FASAB SFFAS 44)
 - CWIP activity or a part of the activity will never be completed or has become non-viable
 - CWIP Project Managers must complete the Impairment Checklist (web) at a minimum annually
 - However, if a CWIP Project Manager is aware that something has occurred that may be an impairment, a checklist should be completed even if it has been less than a year since the last time a checklist was completed.
 - CWIP Activity Managers must review the Impairment Checklist
 - If an impairment is noted by the CWIP Project Manager, then an impairment analysis should be performed to determine the amount of the impairment



Construction Phase (cont.)

- ▶ Tracking and capturing **all** the costs (cont.)
 - Incomplete CWIP/Impairments (cont.)
 - CWIP Activity Manager must notify Finance of impairments via the quarterly data call
 - CWIP costs are reduced to reflect expected net realized value and recognize impairment losses (if any)
 - Impairment loss shall only be recognized if the net book value of a long-lived asset is not recoverable and exceeds its fair value





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





Construction Phase (cont.)

- ▶ **CWIP reconciliations of the CWIP Documentation File to CBS CWIP Report (CA500D) (L/SO)**
 - Independent verification of Uncapitalized Cost (CWIP) balances, by CWIP activity and by project and task code, on the CBS CWIP Report (CA500D) against an independent source
 - CWIP Reconciliation Template (web) – recently updated
 - 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 test work.
 - NOAA has received several NFRs related to the CWIP reconciliations.
 - CWIP reconciliations are prepared monthly with an extra “Q5” reconciliation prepared at year-end.



Construction Phase (cont.)

- ▶ **CWIP reconciliations (cont.)**
 - Column D = CWIP Activity Manager's Uncapitalized (CWIP) Costs
 - Should be populated with information from source documents.
 - Should not be populated from the CA500D or MARS reports.
 - Columns E through G = CA500D amounts
 - Column H = Difference
 - Columns I through L = Reconciling Adjustments
 - Costs on CA500D
 - Capitalized costs on CA500D
 - Amount in the CWIP Activity Manager's files/records
 - Column M = Explanation for any differences and reconciling adjustments





Construction Phase (cont.)

- ▶ **CWIP reconciliations (cont.)**
 - Signed by CWIP Activity Manager (and Preparer, if different than the CWIP Activity Manager)
 - Reviewed, approved and signed by L/SO CFO/M&B Chief or NOAA CAO/Deputy CAO (if activity is OCAO-designated)
 - Send scanned copies and Excel versions of the reconciliations to Finance

Construction Phase (cont.)

- ▶ **Reviewing the reconciliation (FO)**
 - Determine if any adjustments need to be made to the CBS CA500D report
 - Make any necessary revisions to CBS





Construction Phase (cont.)

- ▶ **Monitoring and updating the CWIP Activity Database (L/SO, PPMB, RPMD, and FO)**
 - Finance posts monthly reports to the Web
 - Finance conducts a certification of database information annually
 - Finance follows-up with L/SOs regarding project codes that:
 - Are not linked to a CWIP activity
 - Have negative CWIP balances
 - Meet the purge criteria
 - Are CWIPC/IUSDC, but do not meet the purge criteria
 - PPMB and RPMD follows-up with L/SOs on activities, for example, that have:
 - Estimated BOD/acceptance dates that have expired
 - Estimated BOD/acceptance dates that are in the near future
 - ~~L/SO should notify Finance of any changes to an activity~~



Capitalization Phase

- ▶ **Completing the NF 37-6 form (L/SO)**
 - NF 37-6 is used to transfer CWIP costs into a capitalized asset account (e.g. buildings and structures, equipment)
 - Three conditions require submission of a NF 37-6:
 - Constructed PP&E is placed in service (initial NF 37-6)
 - For a CWIP asset already placed in service or a completed phase/ milestone of the asset has already been reached, uncapitalized costs is expected to reach the lessor of \$1.0 million or 10% of the total cost incurred to date within the FY (revised NF 37-6)
 - When UDO equal \$0, unpaid costs equal \$0, no further costs are expected, and there are uncapitalized costs (i.e. CWIP activity is complete) (final NF 37-6)



Capitalization Phase

- ▶ **Completing the NF 37-6 form (cont.)**
 - Placed in service date:
 - Real property = Beneficial Occupancy Date (BOD)
 - Vessels = Date when the vessel is commissioned.
 - Aircraft = Date after the formal contractual acceptance of the aircraft, all mission modifications are completed, and the aircraft is available for initial mission assignment.
 - Software = Date final acceptance testing has been successfully completed in a production environment.
 - Satellite ground systems = Date when the possession and operations of the asset are handed over to a NESDIS operating organization.
 - NOAA satellites, instruments, and related assets = Placed in service as a suite on the operational handover date.



Capitalization Phase

- ▶ **Completing the NF 37-6 form (cont.)**
 - Placed in service date (cont):
 - NOAA owned instruments on a non-NOAA owned satellites as a hosted payroll = Placed in service as a suite on the operational implementation date.
 - NOAA investments in a non-NOAA owned satellite instruments and related assets = Placed in service as a suite on the operational implementation date.
 - Types of assets not listed above = Select appropriate placed in service date and document the reasons that date represent the placed in service date
 - Significant events and/or milestones may be used to determine placed in service date
 - Case-by-case exceptions to these guidelines must be approved by L/SO Headquarters Office, FO, and the appropriate Property Office





Capitalization Phase

- ▶ **Completing the NF 37-6 form (cont.)**
 - For 2nd and 3rd conditions, the Property Offices will monitor the CWIP Activity Database 306 report monthly to determine if a NF 37-6 should be submitted
 - Within a week, the Property Office will notify the L/SO.
 - Notification from the Property Office will serve as the starting point for the timeline; however, it is the L/SO's responsibility to submit the NF 37-6
 - If significant additional costs are anticipated before the end of the fiscal year, the Property Office, Finance, and the L/SO can together make a determination to defer the revised NF 37-6 to a specific date within the fiscal year
 - In addition, Finance or the Property Offices may request a revised NF 37-6 for instances that do not meet the 2nd condition if they deem it necessary due to materiality, timeliness or audit risk



Capitalization Phase

- ▶ **Completing the NF 37-6 form (cont.)**
 - Subsequent NF 37-6s (after the initial NF 37-6) should be entered into the appropriate system using the appropriate useful life and acquisition date
 - Does not include unpaid obligations or accruals
 - For assets with milestones:
 - NF 37-6 should include costs incurred to date
 - For CWIP activities with multiple assets:
 - NF 37-6 should be completed when each asset is placed in service
 - Certified by CWIP Activity Manager and L/SO CFO or NOAA CAO/Deputy CAO (if activity is OCAO-designated).
 - Send scanned copy and Excel version of the signed NF 37-6 to Finance





Capitalization Phase (cont.)

- ▶ **Completing the NF 37-6 form (cont.)**
 - Placed in Service Date or Email Notification from the Property Office dated between October 1 through July 12:
 - 40 calendar days for LO to forward completed NF 37-6 to Finance
 - 10 calendar days for Finance to review and approve NF 37-6
 - 30 calendar days for Property Office to review and approve NF 37-6
 - 10 calendar days for Finance to process General Journal (GJ) upon receipt of final NF 37-6
 - Entire process should not exceed **90 calendar days** after the asset was placed in service or an email notification from the Property Office



Capitalization Phase (cont.)

- ▶ **Completing the NF 37-6 form (cont.)**
 - July 13 through August 31:
 - NF 37-6 must be submitted to Finance by September 10
 - September 1 through September 30:
 - Estimated NF 37-6 is required
 - For NF 37-6s submitted to Finance after August 11
 - Finance 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 Finance by the last day of the quarter-end, and
 - Signed by the Property Office by the second business day of the following month



Capitalization Phase (cont.)

- ▶ **Reviewing and certifying the NF 37-6 (FO)**
 - Reviews the NF 37-6 for clerical accuracy
 - Reviews project codes
 - Verifies that the depreciation project code is valid and active
 - Verifies that amounts on the NF 37-6 do not exceed current balances on the CBS CWIP Report (CA500D)
 - If insufficient “Uncapitalized Costs” exist, the CWIP Activity Manager will be notified
 - Does not review any supporting documentation file
 - Does not certify the accuracy of the costs charged to and included in the activity
 - Certifies the NF 37-6
 - Sends scanned copy to L/SO with a copy to the appropriate Property Office



Capitalization Phase (cont.)

- ▶ **Reviewing the NF 37-6 and supporting documentation (PPMB/RPMD)**
 - L/SO submits required supporting documentation to the appropriate Property Office
 - Can be submitted early
 - Must be submitted upon receipt of email from Finance
 - PPMB/RPMD reviews the NF 37-6 and supporting documentation:
 - Completeness
 - Accuracy
 - Costs accurately reported (capitalized vs. expensed)
 - PPMB/RPMD certifies the NF 37-6
 - Sends a scanned copy to Finance and the CWIP Activity Manager





Capitalization Phase (cont.)

- ▶ Recording the asset into the appropriate property system (PPMB/RPMD)
 - Either prior to or shortly after signing the NF 37-6
 - Sunflower
 - FRPM

- ▶ Recording the asset in CBS (FO)
 - Upon receipt of certified NF 37-6 from the Property Office(s)
 - Removes cost from CWIP account and puts it in a PP&E account
 - After transaction is recorded, costs will appear in the “Capitalized Cost” column on the CA500D report

Recording Asset in Sunflower



- ▶ The Property Custodian (PC) obtains the Sunflower Catalog data from the Sunflower Help Desk and enters the asset information in the Edit Interface.
- ▶ The CWIP Activity Manager and PC provide the NF37-509, NF 37-6, and other supporting documentation to PPMB.
 - ▶ NESDIS- All documentation packages are submitted to HQS
- ▶ The monthly 306B report for CWIP is reviewed and:
 - ▶ Follows up on the status of projects
 - ▶ Requests initial, revised or final NF 37-6 where applicable

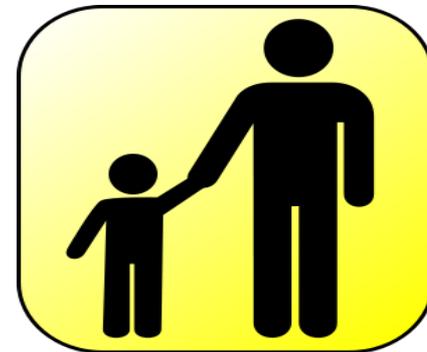
Recording Asset in Sunflower (cont.)



- ▶ Sunflower will notify PPMB Financial Team that the asset was entered as an inventory record
- ▶ The Finance Office will capitalize the asset within 10 working days from the date it was entered into Sunflower

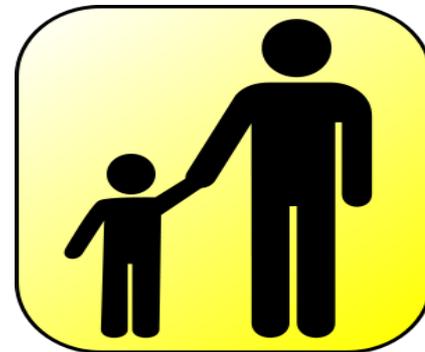
Parent-Child Relationships

- ▶ The parent is a financial asset, and the child can be either a non-financial asset or another financial asset
- ▶ Each parent and child receives its own barcode, and the “children” barcodes are tied to the “parent” barcode in Sunflower



Parent-Child (cont.)

- ▶ A child asset can be designated as a financial asset and be capitalized based on its own acceptance date and useful life
 - When capitalized separately, the value of a child asset is not included in the value of the parent asset
- ▶ Parent-child relationship is affected by whether the child asset is integral or non-integral to the parent. Property Bulletin #004, FY 2012 was issued with guidance on parent-child assets.





Capitalization Phase (cont.)

- ▶ **Closing out the CWIP activity**
 - **Database**
 - Only UDOs remain – only COR can work with AGO to resolve
 - Notify Finance when an activity is complete so that it can be marked as “Completed” in the CWIP Activity database
 - **Purge Codes**
 - Notify Finance to change project type in CBS to CWIPC or IUSDC
 - Required to meet CBS CWIP Report (CA500D) “Purge” criteria



Resources

- ▶ CWIP.Notification@noaa.gov
- ▶ [CWIP Website](#)
 - Policy
 - Checklists, Fact Sheets, Forms and Templates
 - CWIP Activity Database reports
- ▶ [PPMB Website](#)
- ▶ [RPMD Website](#)
- ▶ [FASAB Standards](#)
- ▶ [CFO Act](#)



Questions?

