



# Construction Work-In-Progress (CWIP)

March 27, 2019



# Agenda

- Overview
  - PP&E and CWIP
  - Why do we care?
  - CWIP Phases and Major Steps
  - Roles
- Phase 1: Determination and Planning (Setting up a CWIP Activity)
- Phase 2: Construction (During a CWIP Activity)
- Phase 3: Capitalization and Close-Out (Completion of a CWIP Activity)



# Overview



# 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)

# Major Categories of PP&E

- Real property: Permanent improvements to land (e.g., buildings, structures, tenant improvements)
- 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***





# NOAA PP&E

- NOAA's capitalization threshold: \$200,000
- NOAA bulk purchase policy (personal property)
  - acquisition of multiple similar items individually costing between \$25k and \$200k each with a total acquisition of \$1 million or more
- Non-CWIP PP&E 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 CWIP and IUSD?

- Construction Work in Progress (CWIP) and Internal Use Software Development (IUSD):
  - Temporary asset holding accounts used to accumulate and track costs during the design and construction of PP&E
  - Constructed—not bought as-is or off-the-shelf
  - Included in PP&E on the DOC financial statements
- Extension of real and personal property; therefore, governed by those policies
- Term “CWIP” used to cover both CWIP and IUSD in both this presentation and the CWIP policy (found on the [NOAA CWIP website](#))



# CWIP Criteria

- 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)
  - Depreciation begins at the point the CWIP is transferred to general PP&E (e.g., building, equipment)



# CWIP Activities

- CWIP activities typically are established for:
  - Construction of new asset(s)
  - Improvements or upgrades to existing asset(s)
- When considering if an improvement meets CWIP criteria
  - The improvement should extend the estimated service life of the original asset by two years or more
- Can be established for the construction of one asset or multiple assets within one activity



# Why do we care?

- Required by law
- Material asset:
  - CWIP and IUSD (\$4,898.1 million) made up 35% of NOAA's FY 2018 PP&E balance (\$14,031.8 million)
    - Usually higher but recently capitalized multiple satellites
  - PP&E made up 68% of NOAA's FY 2018 total assets (\$20,625.3 million)
  - NOAA PP&E made up 86% of DOC's FY 2018 PP&E balance (\$16,286.4 million)
- Significant audit area:
  - PP&E is one of the largest assets to Department of Commerce (DOC)
  - DOC will fail the audit if NOAA's CWIP balances are not accurately stated
  - Audit results are reported to Congress and Office of Management and Budget (OMB)



# CWIP Process

## Determination & Planning Phase

1. Determining whether an activity is CWIP or not and completing a CWIP Determination Letter.
2. Assigning a CWIP Activity Manager and a CWIP Project Manager
3. Establishing a CWIP activity in the CWIP Activity Database.
4. Establishing project codes.

## Construction Phase

1. Tracking and capturing all the costs.
2. Maintaining supporting documentation.
3. Performing reconciliations.
4. Monitoring and updating the CWIP Activity database.

## Capitalization & Close-out Phase

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



# CWIP Roles

- Multiple roles work together in order for CWIP to be successful and accurate
  - CWIP Activity Manager
  - CWIP Project Manager
  - OMAO CFO/Designated Personnel
  - OMAO Headquarters
  - OCAO, Personal Property Management Branch (PPMB)
  - OCFO, Finance Office (FO), Financial Statements Branch (FSB)
- These roles and their respective responsibilities can be found in the CWIP policy on the NOAA CWIP website  
<https://www.corporateservices.noaa.gov/finance/CWIP.html>



# **Phase 1: Determination & Planning (Setting up a CWIP Activity)**



# CWIP Process – Phase 1

## Determination & Planning Phase

1. Determining whether an activity is CWIP or not and completing a CWIP Determination Letter.
2. Assigning a CWIP Activity Manager and a CWIP Project Manager
3. Establishing a CWIP activity in the CWIP Activity Database.
4. Establishing project codes.



# Determination and Planning (Phase 1: Step 1)



## **Step 1: Determining whether an activity is CWIP or not and completing a CWIP Determination Letter to document the decision (OMAO and PPMB)**

- CWIP Determination Letter
  - Assists in making the determination regarding CWIP or not
  - Asks key questions about the activity
  - Serves as documentation of determination
- Templates for CWIP Determination Letter – [NOAA CWIP website](#)
  - Personal Property
  - Real Property
- CWIP Determination Letter is prepared by OMAO

# Information to Obtain Prior to Completing the Letter (Phase 1: Step 1)



- Bulk purchases
- Multiple assets
- Integral vs. non-integral assets
- Improvements
- Reimbursable funding
- CWIP vs. non-CWIP costs
- Meet CWIP Criteria

# Bulk Purchases (Phase 1: Step 1)



Bulk purchase policy (personal property)

- Acquisition of quantity of similar items
- Individually cost between \$25k and \$200k
- Total cost of \$1 million or more
- Capitalized by NOAA

# Multiple Assets (Phase 1: Step 1)



- A CWIP activity can have more than one asset being constructed within it
  - Must be identified up front in the determination letter
  - Can be captured in one CWIP activity or can have separate CWIP activities for each asset
- Each asset should be considered separately against the CWIP criteria
- A CWIP activity can include integral and/or non-integral assets

# Integral vs. Non-Integral Asset (Phase 1: Step 1)



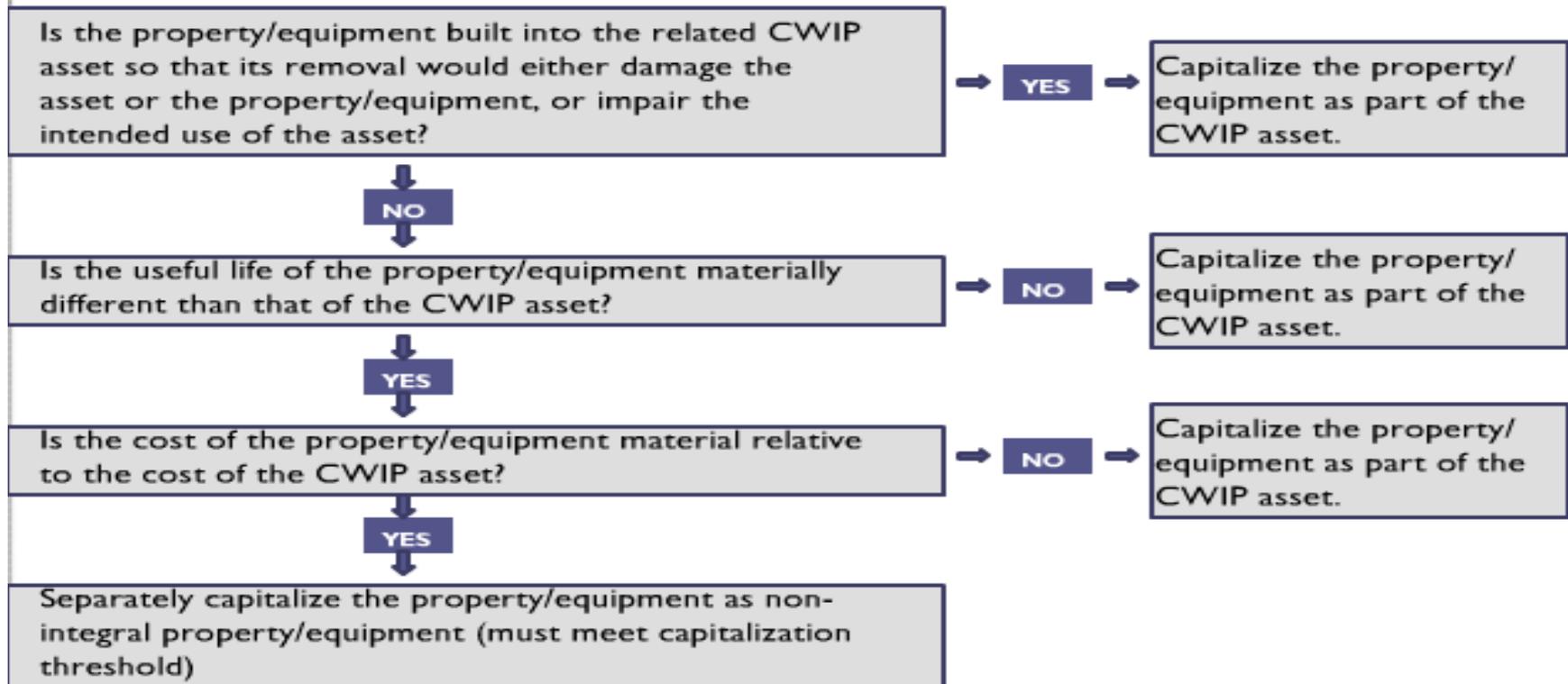
- PP&E that is **integral** to a CWIP asset should be included in the cost of the CWIP asset when it meets the following two criteria:
  - PP&E is built into the CWIP asset such that **its removal would damage** the CWIP asset or **impair the intended use** of the CWIP asset and
  - PP&E is **immaterial** 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

# Integral vs. Non-Integral Decision Tree (Phase 1: Step 1)



## Decision Tree - Integral vs. Non-Integral

This is used for determining whether an item of Property/Equipment is Integral (and should be capitalized as part of the CWIP asset) OR Non-Integral (and should be separately capitalized) to the related CWIP asset



# Improvements (Phase 1: Step 1)



- Capital improvement projects
  - Consider whether the useful life of the asset is extended, or whether the project enlarges/improves the asset's service capacity
- Sustainment is not the same as capital improvement
- Leasehold Improvements (including SLAs, RWAs, and interagency agreements):
  - Improvements to leased property should be capitalized if the improvements meet the CWIP criteria for capitalization
  - Useful life of the asset will be the lesser of useful life or lease term

# Reimbursable Funding (Phase 1: Step 1)



- Should be considered in determining the total cost of the asset(s)
- Only capitalized or CWIP costs should be considered
- Expensed or non-CWIP costs should be excluded

# CWIP vs. Non-CWIP Costs (Phase 1: Step 1)



## Different types of costs

- Direct costs – directly related to the construction of the asset(s); specifically identifiable and traceable to a CWIP activity
- Indirect costs – used by two or more CWIP and/or non-CWIP activities; cannot be specifically identified with or traced to a particular activity in an economically feasible way
- Capitalized or CWIP costs – necessary to get an asset ready for use such as planning, design, construction, installation, testing, and project management; cost of the asset(s)
- Expensed or non-CWIP costs – not necessary to get an asset ready for use; not included in the cost of the asset(s)

# CWIP Criteria (Phase 1: Step 1)



The activity must meet all of the following criteria for CWIP:

- 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

# Determination (Phase 1: Step 1)



- Should be made prior to any costs being incurred
- Considered CWIP (if meet criteria) even if the construction and capitalization begin and finish in the same fiscal year
- 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 PPMB for guidance
  - Helps to avoid considerable difficulties in getting the data corrected in CBS

# CWIP Determination Letter (Phase 1: Step 1)



- CWIP Determination Letter Includes:
  - Description of CWIP Activity
  - Location of activity
  - Initial Cost Estimate per asset(s)
  - Estimated useful life for each asset(s)
  - Number of assets to be constructed
  - Estimated start date of the activity
  - CWIP Criteria
  - Conclusion
  - Additional information regarding the CWIP activity and/or asset(s) being constructed
- Templates for CWIP Determination Letter – [NOAA CWIP website](#)

# Letter Process

## (Part I: Step 1)



- Signed by the CWIP Project Manager and CWIP Activity Manager
- Approved and signed off by CAO Property Offices (PPMB and RPMD) within five business days of receipt
- CWIP Activity Manager sends copies to:
  - CWIP Project Manager
  - OMAO CFO
  - OMAO Property Manager
  - OMAO Property Custodian
  - CAO (PPMB/RPMD)
  - Finance Office
  - CIO, if Internal Use Software
- Letter can be prepared months in advance
- Must be completed prior to setting up any CWIP project codes

# CWIP Activity & Project Manager (Phase 1: Step 2)



## **Step 2: Assigning a CWIP Activity Manager and a CWIP Project Manager (OMAO)**

- Crucial to the successful tracking and accounting of the CWIP activity and related constructed asset(s)
- Must complete the CWIP training within one month of their assignment
- Must complete annual CWIP training
- Must have CWIP in performance plan

# Training Requirements (Phase 1: Step 2)



- 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.
- OMAO is responsible for ensuring the compliance and completion of the annual CWIP training
- Training is online via the Commerce Learning Center (CLC)
  - Training is in the process of being updated



# Critical Element Requirement (Phase 1: Step 2)

- All CWIP Project and Activity Managers must have CWIP critical element language incorporated into their performance plans
  - Either be incorporated into another element or it can be a stand-alone element
  - Minimum element weight is 5%
  - 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%

# CWIP Activity Database (Phase 1: Step 3)



## **Step 3: Establishing a CWIP activity in the CWIP Activity Database (CWIPDB) (OMAO, FO)**

- Maintained by FO
- Created because CBS can track costs by project and task codes but not by CWIP activity
- Establishes the linkage of all active CBS CWIP project and task codes to their respective CWIP activity
- Identifies all open CWIP activities (real and personal)
- CWIPDB reports are uploaded to the [NOAA CWIP website](#) monthly

# CWIPDB Form (Phase 1: Step 3)



- “Request to Add or Modify a CWIP Activity Form” (found on [NOAA CWIP website](#))
  - Activity Number
    - Blank if establishing a new CWIP activity
    - FO will provide this number once activity is added to the CWIPDB
  - Activity Title
    - Should match title on CWIP Determination Letter
  - Estimated Placed in Service Date
    - Multiple dates should be provided if there is more than one asset being constructed under the activity
  - Estimated Cost
  - Project and Task Codes
  - CWIP Activity Manager
  - CWIP Project Manager
  - CWIP Reconciliation Preparer

# When to Submit a CWIPDB Form (Phase 1: Step 3)



- Form must be completed:
  - To establish a new activity
  - Add a project code to an existing activity
- Emails are sufficient for changes in:
  - Personnel (CWIP Activity Manager/CWIP Project Manager)
  - Estimated costs
  - Estimated Placed In Service date(s)
- Submit to FO via [CWIP.Notification@noaa.gov](mailto:CWIP.Notification@noaa.gov)

# CWIPDB Form Process (Phase 1: Step 3)



- OMAO CWIP Activity Manager completes the CWIPDB form
- Sends it to FO
- FO enters data into CWIP Activity Database
  - If new activity, assigns activity number and provides that number to OMAO CWIP Activity Manager
- Success of CWIP Activity Database is contingent on OMAO's support
  - CWIP Activity Managers should review reports ([NOAA CWIP website](#))
  - If errors noted, communicate corrections to Finance via [CWIP.Notification@noaa.gov](mailto:CWIP.Notification@noaa.gov)
- Data and reports from the CWIP Activity Database are used by the auditors – imperative data is accurate

# Establishing CWIP Project Codes (Phase 1: Step 4)



## **Step 4: Establishing project codes (OMAO, 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 and task code

# CWIP Project Code Positions (Phase 1: Step 4)



- CWIP project codes
  - Project type field = CWIP or IUSD
  - ORF funding = 2<sup>nd</sup> position of project code must be a “4”
    - X4xxxxx
  - PAC funding = 2<sup>nd</sup> position of project code must be a “2” and 4<sup>th</sup> position must be a “F”
    - x2xFxxx
- Non-CWIP project codes
  - Project type field anything other than CWIP, IUSD, CWIPC or IUSDC
- If not established correctly, CBS and PPMB’s UPR will not recognize as CWIP and will not properly reflect them in the right reports

# CWIP Project Code Set-Up Process (Phase 1: Step 4)



- CWIP Activity Manager completes the Project Code Request Form (found on [NOAA CWIP website](#)) for CWIP project code
- Provides forms to OMAO
  - Project Code Request Form
  - CWIP Activity Database Form
  - CWIP Determination Letter (if new CWIP activity)
- OMAO
  - Reviews and approves forms (project code and CWIPDB)
  - Data enters and saves the project code information in CBS via the CM004 screen but **does not approve or activate it**
- OMAO provides the forms to FO

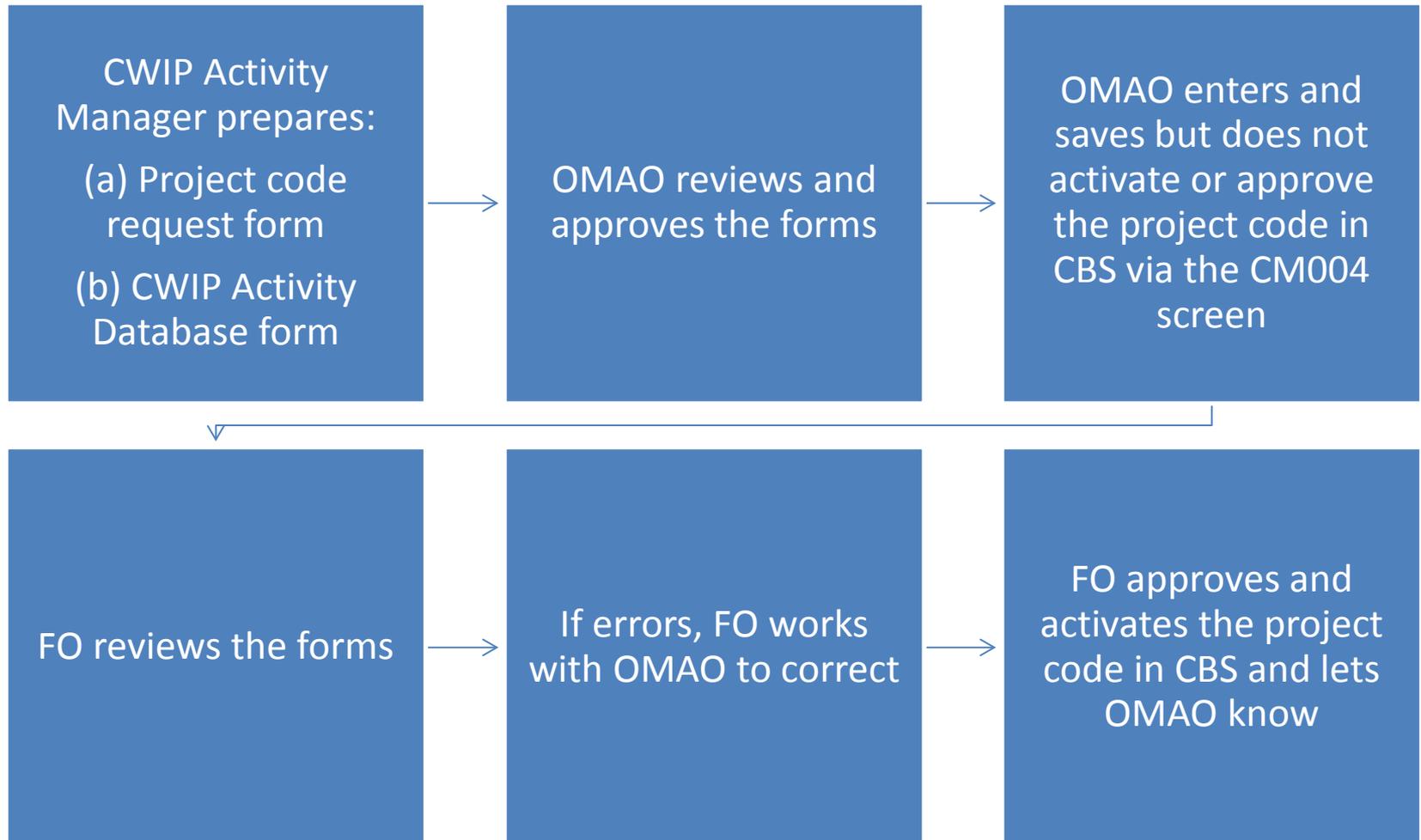
# CWIP Project Code Set-Up Process cont.

## (Phase 1: Step 4)



- FO review forms
  - Ensure that the CWIP Determination letter and the project code request form contain the proper concurrences from CAO and OMAO, respectively
  - Ensure proper format of the project code structure
- FO contacts OMAO, if corrections are needed
- FO approves and activates CWIP/IUSD project codes in CBS
  - Within one business day of receipt of forms (pending access to CBS and errors)
- FO adds the new CWIP/IUSD project codes to the CWIP Activity Database

# Establish Project Code Flowchart (Phase 1: Step 4)





## **Phase 2: Construction (During a CWIP Activity)**



# CWIP Process – Phase 2

Determination & Planning Phase



Construction Phase

1. Tracking and capturing all the costs.
2. Maintaining supporting documentation.
3. Performing reconciliations.
4. Monitoring and updating the CWIP Activity database.



# Construction Costs (Phase 2: Step 1)



## Step 1: Tracking and capturing all the costs (OMAO)

- “All general PP&E”, including CWIP, “shall be recorded at cost. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use.”  
[FASAB’s Statement of Federal Financial Accounting Standards (SFFAS) 6, Accounting for Property, Plant, and Equipment (PP&E)]
- CWIP should capture the cost necessary to get the asset(s) ready for use

# Review of Types of Costs (Phase 2: Step 1)



## Different types of costs

- Direct costs – directly related to the construction of the asset(s); specifically identifiable and traceable to a CWIP activity
- Indirect costs – used by two or more CWIP and/or non-CWIP activities; cannot be specifically identified with or traced to a particular activity in an economically feasible way
- Capitalized or CWIP costs – necessary to get an asset ready for use such as planning, design, construction, installation, testing, and project management; cost of the asset(s)
- Expensed or non-CWIP costs – not necessary to get an asset ready for use; not included in the cost of the asset

# Capitalized Direct Costs (Phase 2: Step 1)



Capitalized (CWIP) direct costs = costs directly traceable and costs attributable to getting the asset ready for use

- Net book value of asset(s) transferred or donated to NOAA from another entity (e.g., vessels from CG)
- Amounts paid to vendors related to asset construction
- Transportation charges for getting the asset to the point of initial use
- Handling and storage costs
- Labor
- Engineering, architectural, etc. costs for designs, plans, specifications, and surveys
- Acquisition and preparation costs of existing assets
- Inspection, supervision, and administration of construction contracts and construction work
- Testing of assets
- Installation costs

# Expensed Direct Costs (Phase 2: Step 1)



Expensed (non-CWIP) direct costs = costs directly traceable and costs NOT attributable to getting the asset ready for use

- Planning costs not resulting in final design
- Ordinary administrative supplies (e.g., copy paper, office equipment and furniture)
- Travel not related to the construction of the asset(s)
- Training
- Interest expense paid as a result of the Prompt Payment Act
- Operations and maintenance or sustainment of the asset(s)
- Prototypes
- Personal property constructed for research and development
- Non-integral property that does not meet the capitalization threshold

# Capitalized & Expensed Indirect Costs (Phase 2: Step 1)



- Capitalized Indirect Costs = used by CWIP activities and cannot be specifically identified with or traced to a particular activity; **necessary** to get asset ready for use
- Expensed Indirect Costs = used by CWIP activities and cannot be specifically identified with or traced to a particular activity; **NOT necessary** to get asset ready for use
- Example indirect costs
  - labor and benefits of CWIP Activity Manager, CWIP project manager, management, and support services; travel; supplies and materials; IT services; rent; utilities; and contractor support services

# Capturing Indirect Costs (Phase 2: Step 1)



- Captured via an annual Summary Level Transfer (SLT)
- Should begin in fiscal year in which design period begins
- Should end once asset is placed in service
- Separate and distinct CWIP project code(s) for indirect costs
- No budgetary impact for these adjustments
  - Reclassification of costs previously captured as non-CWIP or expensed to CWIP or capitalized costs
- OMAO has a methodology (reviewed and approved by Finance) to identify and capture the appropriate indirect costs in CWIP for each of their CWIP activities
  - This methodology should be reviewed each fiscal year to determine if it is still a reasonable way to estimate indirect costs

# OMAO Indirect Cost Template (Phase 2: Step 1)



OMAO  
Indirect cost  
Calculation  
Table by  
CWIP activity

(A) Object Class Code	(B) Type of Activity	(C) Annual Cost Estimate	(D) % Attributable to CWIP Activity	(E) \$ Amt. CWIP Activity
11	CWIP Project Manager	For civilians based on payroll estimate; for Officers, FMC will provide the time estimate and consult with Commissioned Personnel Center (CPC) to determine cost		( based on % of time spent on each asset)
	CWIP Activity Manager	For civilians based on payroll estimate; for Officers, FMC will provide the time estimate and consult with CPC to determine cost		( based on % of time spent on each asset)
	Staff dedicated to supporting CWIP assets			( based on % of time spent on each asset)
12	% of OC 11			
21	List travel to CWIP assets			(If 1 trip covers more than 1 asset, based on % time spent on each asset)
25	Other essential services to CWIP asset	For example, procured construction expertise serving multiple CWIP activities.		(based on % of time spent on each asset)
Total				

# Reimbursable Costs (Phase 2: Step 1)



- Can be between NOAA Line Offices or with another Government entity
- Included in the total value of the asset(s) only if the agreement 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
- Do not move the costs into CWIP

# Reporting Reimbursable Costs (Phase 2: Step 1)



- Reported to FO quarterly as part of the financial statement data call
- Reported at the bottom of the monthly CWIP reconciliation in the section titled “Project codes not included above”
- At the end of the CWIP activity:
  - Portion of CWIP asset funded via reimbursable should be “transferred” to NOAA
  - NF 37-6s must include the NOAA portion (the CWIP project codes) **and** the reimbursable portion (the reimbursable project code(s))

# Impairments to CWIP (Phase 2: Step 1)



- Impairment: a significant and permanent decline in the expected service utility for CWIP (FASAB SFFAS 44)
- A part of the activity or the whole activity will never be completed or has become non-viable
- CWIP costs are reduced to reflect expected net realizable value and recognize impairment losses (if any)
- Impairment loss shall only be recognized if the net book value is not recoverable and exceeds its fair value
- Impairment fact sheet located on [NOAA CWIP Website](#)



# Impairments Process (Phase 2: Step 1)

- CWIP Project Managers must complete the Impairment Checklist ([NOAA CWIP website](#)) 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
- CWIP Activity Manager must notify Finance of impairments via the quarterly data call

# CWIP Activity Manager Responsibilities (Phase 2: Step 1)



- Responsible for reviewing documentation and determining that each cost is properly captured and allocated
  - Capitalized = CWIP
  - Expensed = non-CWIP
- Highly recommended that CWIP Activity Managers create a spreadsheet to assist them in tracking costs

# Documentation Requirements (Phase 2: Step 2)



- CWIP Activity Manager is responsible for maintaining adequate supporting documentation (CWIP Documentation File) for all costs included in the CWIP Activity
- Electronic files are acceptable
- CWIP Documentation File must contain adequate supporting documentation for the proper cost valuation of the asset, the placed in service date, the useful life of the asset, etc.
- Supporting documentation is provided to PPMB to support capitalization of the asset(s)
  - PPMB reserve the right to request additional detailed information

# Supporting Documentation (Phase 2: Step 2)



Documentation Req.	CWIP Activity Manager's File	Property File
CWIP Determination Letter	✓	✓
Documentation to support the placed in service date	✓	✓
Annual SLTs for indirect costs	✓	✓ (not annual)
CBS CWIP Report (CA500D) and other related CBS accounting and cost reports	✓	N/A
Copies of invoices to support amounts reported on the NF 37-6	✓	As requested
CBS labor reports	✓	N/A
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

# Supporting Documentation (Phase 2: Step 2)



Documentation Req.	CWIP Activity Manager's File	Property File
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
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

# Supporting Documentation (Phase 2: Step 2)



Documentation Req.	CWIP Activity Manager's File	Property File
NF37-509 "Property Transaction Report" (personal property only)	✓	✓
Transfer documentation, if applicable	✓	✓
Useful life certification following Real/Personal Property guidance and corresponding to the useful life on the NF 37-6	✓	✓
Spreadsheet tying obligating documents to the asset cost on NF 37-6.	✓	✓
Completed FRPM data entry form ( <b>real property</b> )	✓	✓

# CWIP Reconciliations (Phase 2: Step 3)



## **Step 2: CWIP reconciliations of the CWIP Documentation File to CBS CWIP Report (CA500D) (OMAO, FO)**

- Reconcile uncapitalized costs (CWIP) reported on the CBS CWIP Report (CA500D) to actual CWIP costs and supporting documentation maintained by the CWIP Activity Manager in the CWIP documentation file
- Verification of CWIP amounts in CBS against independent source – CWIP Activity Manager’s documentation
- Used by FO to identify and record any adjustments in CBS
- Tested by auditors
  - Received several NFRs related to the CWIP reconciliations in the past

# CA500D Report (Phase 2: Step 3)



- Tracks CWIP/IUSD costs by fund code, project and task code, fund code fiscal year, organization code, and object class code
- Cumulative data on undelivered orders, unpaid costs, paid costs, total costs, total obligations, capitalized costs, and uncapitalized (CWIP) costs
- Run report from Data Warehouse
  - Report parameters include fiscal year, fund code, program code, project code, organization code, current GL end date, project type (CWIP or IUSD), purged or unpurged, show or don't show task codes

# CA500D Report Layout (Phase 2: Step 3)



	A	B	C	D	E	F	G
Title	Undelivered Orders	Unpaid Costs	Paid Costs	Costs (Total)	Total Obligations	Capitalized Costs	Uncapitalized Costs
USSGL accounts/ Formula	48xx accounts	4901, 4971, and 4981 accounts	4902, 4972, and 4982 accounts	49xx accounts  B+C	A+D	D-G	1720 (CWIP) and 1832 (IUSD) accounts
Description	Unpaid Undelivered Orders	Unpaid Expenditures or Delivered Orders	Paid Expenditures or Delivered Orders	Costs (unpaid and paid).  This column does not include UDOs (undelivered orders).	Undelivered orders and paid and unpaid costs (total costs).	Capitalized costs (Costs less CWIP).  This amount should represent the capitalized costs reported on NF 37-6(s), not including the unpaid costs.	Total costs that have not been capitalized.

# Preparing the Reconciliation (Phase 2: Step 3)



- FO provides the CWIP Reconciliation Templates to OMAO for open CWIP Activities.
  - Contains the CBS CA500D amounts
  - Project and task codes included are based on the information in the CWIP Activity Database
- CWIP Activity Manager must:
  - Fill in the “CWIP Activity Manager’s Costs” column of the reconciliation
  - Explain, in detail, any differences (cell in Explanations column will be highlighted yellow when a difference exists)
  - Add project codes (e.g., for reimbursable funds) to the bottom of the spreadsheet that are not included in the prepopulated section. Include an explanation
  - Verify the Estimated Placed in Service date and estimated costs; if changes are needed, communicate via email to FO

# CWIP Reconciliation Form (Phase 2: Step 3)



Preparer fills in cells highlighted blue based on their supported costs

Preparer must provide explanations for cells highlighted yellow (e.g., any differences)

## CWIP Reconciliation as of January 31, 2017

I certify that this CWIP reconciliation is complete and that the costs below are complete and accurate.

Preparer's Signature & Date

CFRCAQ (Deputy CAO) or M&B Chief Signature & Date

Activity #	Activity Title	Estimated Cost	Next "Big" Date	Activity Mgr	Project Manager	Task Project Code	Cost Per CA500D	Capitalized Per CA500D	CWIP Per CA500D	CWIP Per Activity Manager Files	Difference	Explanations
010184	NDAA SHIP Thomas Jefferson - Capital Improvement	\$10,300,000.00	20-Jul-20	Janice Rush	Neil S. Lamartin	L2PFATJ P00	\$26,267.43	\$0.00	\$26,267.43	\$0.00	\$26,267.43	Please explain difference
010184	NDAA SHIP Thomas Jefferson - Capital Improvement	\$10,300,000.00	20-Jul-20	Janice Rush	Neil S. Lamartin	L2PFATJ PPM	\$1,211,332.54	\$0.00	\$1,211,332.54	\$0.00	\$1,211,332.54	Please explain difference
						<b>L2PFATJ Total</b>	<b>\$1,237,599.97</b>	<b>\$0.00</b>	<b>\$1,237,599.97</b>	<b>\$0.00</b>	<b>\$1,237,599.97</b>	
010184	NDAA SHIP Thomas Jefferson - Capital Improvement	\$10,300,000.00	20-Jul-20	Janice Rush	Neil S. Lamartin	M2PFATJ P00	\$190.00	\$0.00	\$190.00	\$0.00	\$190.00	Please explain difference
010184	NDAA SHIP Thomas Jefferson - Capital Improvement	\$10,300,000.00	20-Jul-20	Janice Rush	Neil S. Lamartin	M2PFATJ PPM	\$2,215,893.81	\$0.00	\$2,215,893.81	\$0.00	\$2,215,893.81	Please explain difference
						<b>M2PFATJ Total</b>	<b>\$2,216,083.81</b>	<b>\$0.00</b>	<b>\$2,216,083.81</b>	<b>\$0.00</b>	<b>\$2,216,083.81</b>	
010184	NDAA SHIP Thomas Jefferson - Capital Improvement	\$10,300,000.00	20-Jul-20	Janice Rush	Neil S. Lamartin	N2PFATJ PPM	\$900,995.87	\$0.00	\$900,995.87	\$0.00	\$900,995.87	Please explain difference
						<b>N2PFATJ Total</b>	<b>\$900,995.87</b>	<b>\$0.00</b>	<b>\$900,995.87</b>	<b>\$0.00</b>	<b>\$900,995.87</b>	
010184	NDAA SHIP Thomas Jefferson - Capital Improvement	\$10,300,000.00	20-Jul-20	Janice Rush	Neil S. Lamartin	N4P2NTJ P00	\$30,327.09	\$0.00	\$30,327.09	\$0.00	\$30,327.09	Please explain difference
						<b>N4P2NTJ Total</b>	<b>\$30,327.09</b>	<b>\$0.00</b>	<b>\$30,327.09</b>	<b>\$0.00</b>	<b>\$30,327.09</b>	
010184	NDAA SHIP Thomas Jefferson - Capital Improvement	\$10,300,000.00	20-Jul-20	Janice Rush	Neil S. Lamartin	P2PFATJ PPM	\$5,311,475.58	\$0.00	\$5,311,475.58	\$0.00	\$5,311,475.58	Please explain difference
						<b>P2PFATJ Total</b>	<b>\$5,311,475.58</b>	<b>\$0.00</b>	<b>\$5,311,475.58</b>	<b>\$0.00</b>	<b>\$5,311,475.58</b>	
						<b>Grand Total</b>	<b>\$9,696,482.32</b>	<b>\$0.00</b>	<b>\$9,696,482.32</b>	<b>\$0.00</b>	<b>\$9,696,482.32</b>	

Preparer provides any project codes not included above (e.g., reimbursable funding)

Project Codes Not Included Above							
Project Code	Task Code	Cost Per CA500D	Capitalized Per CA500D	CWIP Per CA500D	CWIP Per Activity Manager Files	Difference	Explanations

# CWIP Reconciliation Process (Phase 2: Step 3)



- Signed by preparer
  - Certifies that the reconciliation is complete and accurate
- Reviewed and approved by OMAO CFO or designated personnel
- Send signed copy and Excel versions of the reconciliations to FO
- All differences or reconciling items must be resolved within eight (8) weeks of reporting the difference
- Instructions and due dates for the reconciliations can be found on the [NOAA CWIP website](#)

# Monitoring & Updating the Database (Phase 2: Step 4)



## Step 3: Monitoring and updating the CWIP Activity Database (OMAO, PPMB, FO)

- Monthly reports on the [NOAA CWIP website](#)
- FO conducts an annual certification of database information
- FO follows-up with L/SOs regarding project codes that:
  - Are not linked to a CWIP activity
  - Have negative CWIP balances
  - Meet the purge criteria (i.e., \$0 unpaid costs, \$0 UDOs, \$0 CWIP)
  - Are CWIPC/IUSDC, but do not meet the purge criteria
- PPMB follows-up with OMAO on activities, for example, that have:
  - Estimated BOD/acceptance dates that have expired
  - Estimated BOD/acceptance dates that are in the near future
- OMAO should notify FO of any changes to an activity

# CWIPDB 310 “Big Picture” Analysis (Phase 2: Step 4)



- Prepared by FO
- Used by FO to analyze CWIP from a “big picture” standpoint
- Sent to OMAO for review and responses
- Looks at three areas:
  - Review of UDO balance and requests OMAO to identify the amount to be accrued, if any
    - Amount to accrue represents the portion, if any, for which NOAA has received services and/or goods for but not yet recorded those goods and/or services as “delivered” in CBS (i.e., the invoice has not been paid)
  - Request for status of NF 37-6s – Initial and revised
  - Review of balances for inactivity and requests OMAO to provide explanations



## **Phase 3: Capitalization & Close-Out (Completion of a CWIP Activity)**



# CWIP Process – Phase 3

Determination & Planning Phase



Construction Phase



Capitalization & Close-out Phase

1. Completing, reviewing, and certifying the NOAA Form (NF) 37-6, “Report of Property Constructed”.
2. Recording the asset in Sunflower and CBS.
3. Closing out the CWIP activity.



# Capitalization (Phase 3: Step 1)

## **Step 1: Completing, reviewing, and certifying the NOAA Form (NF) 37-6, “Report of Property Constructed” (OMAO, FO, PPMB)**

- When asset is ready for use (form and location of its intended use):
  - Transfer costs from CWIP/IUSD holding account to a PP&E account (e.g., equipment, software, building software)
  - Depreciation (the expense of using the asset) begins
  - NF 37-6 form used to initiate the transfer
  - Date that the asset is ready for use or placed in service starts this process



# Placed in Service Dates (Phase 3: Step 1)

Placed in Service dates for NOAA's various types of assets

- 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
- Various dates for satellites and satellite ground systems = refer to the CWIP policy for specifics
- Types of assets not listed = an appropriate date that represents placed in service



# When to complete a NF 37-6 (Phase 3: Step 1)

- NF 37-6 must be completed when:
  - A constructed asset reaches placed in service date (preliminary or initial NF 37-6)
  - Uncapitalized (CWIP) costs equal the lessor of \$1.0 million or 10% of the total costs incurred to date (CA500D), for already placed in service CWIP asset (revised NF 37-6)
  - Undelivered orders = \$0, unpaid costs = \$0, no further costs are expected, and there are remaining uncapitalized (CWIP) costs to be transferred out of CWIP to PP&E (i.e., the CWIP activity is complete) (final NF 37-6)

# Starting Point

## (Phase 3: Step 1)



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



# Bottom of NF 37-6 (Phase 3: Step 1)



REPORT OF PROPERTY CONSTRUCTED -- ASSET CERTIFICATIONS			
		CBS Depreciation Organization Code(s)	CBS Depreciation Project Code(s) and Task Code(s)
<b>CWIP Activity Manager Certification</b>			
<input type="checkbox"/>		I certify that all CWIP Project/Task Code(s), Organization Code(s), and Depreciation Code(s) cited above, are valid AND active per the CBS ACCS Validation Screen.	Date:
<input type="checkbox"/>		I certify that only appropriate CWIP costs have been included in this capitalization request of CWIP costs.	Signature:
<input type="checkbox"/>		I certify that the COST Column on the latest CBS CWIP Report (CA500D) is greater than or equal to the cost balance(s) for each project code cited above (i.e., NOT included Undelivered Orders, Costs in Suspense, Transit, or Litigation).	Print Name:
<input type="checkbox"/>		I certify that there are no future Series/Generations forthcoming using these same project codes. (This will stop future Internal Fund/Overhead charges for these project codes.)	Email Address:
<b>Responsible Line/Staff Office CFO* with Funding Authority Certification</b> * or CAO/Deputy CAO, if CWIP Activity Manager is OCAO-designated			
<input type="checkbox"/>		For the initial NF 37-6, I certify that I have reviewed the supporting documentation (invoices, purchase orders, contracts including Statements of Work and modifications) and validated the "Total Capitalized Cost" shown above. For revised NF 37-6(s), I certify that I have reviewed the supporting documentation that supports the amount(s) reported in the "Cost to be Capitalized per this NF 37-6" column.	Date:
<input type="checkbox"/>		I certify that I agree with the information reported for this CWIP Project.	Signature:
			Print Name:
<b>Finance Office - Financial Statement Branch Contact Certification</b>			
<input type="checkbox"/>		I have reviewed the CBS CWIP Report (CA500D) to ensure the costs shown on this NF 37-6 do not exceed the costs on the CBS CWIP Report (CA500D).	Date:
			Signature:
			Print Name:
<b>NOAA Property Management Officer (PMO) Certification</b>			
<input type="checkbox"/>		I certify that the necessary entries have been/will be timely made to enter the asset into the property management system and a corresponding e-mail notice sent to the responsible CWIP Activity Manager.	Date:
			Signature:
			Print Name:

# Information included on NF37-6 (Phase 3: Step 1)



- Costs reported should be paid capitalized CWIP costs tracked and documented by the CWIP Activity Manager in the CWIP Documentation File during the Construction phase
- Reimbursable project code(s) and costs should be reported
- Unpaid obligations or accruals should not be reported
- For a CWIP activity with multiple assets
  - NF 37-6 should be completed for each asset
- For assets placed in service in phases or milestones
  - NF 37-6 should be completed for each phase or milestone

# NF 37-6 Process (Phase 3: Step 1)



- Completed and certified by CWIP Activity Manager
  - All project and task codes and organization codes are valid and active
  - Only appropriate CWIP costs are included
  - Costs included do not exceed amounts reported on CBS CA500D report
- Reviewed and certified by OMAO CFO
  - Costs on NF 37-6 are supported by documentation
  - Agree with the information reported on the NF 37-6 for this asset
- Reviewed and certified by FO
  - Costs on NF 37-6 do not exceed costs in CBS
- Reviewed and certified by PPMB
  - Necessary entries have been made into Sunflower
- Electronic signatures are preferred

# Due Dates for NF 37-6 (Phase 3: Step 1)



- Placed in Service date or email notification from PPMB occurs between October 1 through July 12:
  - 40 calendar days for OMAO to forward completed NF 37-6 to FO
  - 10 calendar days for FO to review and approve NF 37-6
  - 30 calendar days for PPMB to review and approve NF 37-6
  - 10 calendar days for FO to enter into CBS 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 PPMB

# Due Dates in Q4 (Phase 3: Step 1)



- July 13 through August 31:
  - NF 37-6 must be submitted to Finance by September 10
- September 1 through September 30:
  - Estimated or preliminary NF 37-6 is required
- For NF 37-6s submitted to FO after August 11
  - FO and PPMB' 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 PPMB by the second business day of the following month

# FO Review of NF 37-6 (Phase 3: Step 1)



- 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
- Does not certify the accuracy of the costs charged to and included in the activity

# PPMB Review of NF 37-6 (Phase 3: Step 1)



- OMAO submits required supporting documentation to PPMB
  - Can be submitted early
  - Must be submitted upon receipt of email from FO
- Reviews the NF 37-6 and supporting documentation:
  - Completeness
  - Accuracy
  - Costs accurately reported (capitalized vs. expensed)

# Recording Asset in Sunflower (Phase 3: Step 2)



## **Step 2: Recording the asset in Sunflower and CBS (OMAO, PPMB, FO)**

- Property Custodian (PC) obtains the Sunflower Catalog data from the Sunflower Help Desk
- PC enters the asset information in the Edit Interface
- CWIP Activity Manager and PC provide the NF37-509, NF 37-6, and other supporting documentation to PPMB
- Sunflower will notify PPMB Financial Team that the asset was entered as an inventory record

# Parent-Child Relationships In Sunflower (Phase 3: Step 2)



- Parent asset = financial asset
- Child can be either:
  - Non-financial (accountable) asset with value included in parent or
  - Another financial asset capitalized separately with its own acceptance date and useful life (e.g., improvement to a vessel); when capitalized separately, value not included in value of parent
- Each parent and child receives its own barcode
- Children barcodes are linked to the parent barcode in Sunflower
- 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

# Recording Asset in CBS (Phase 3: Step 2)



- Upon receipt of certified NF 37-6 from PPMB, FO will make the necessary entries into CBS
- 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

# Close-Out Criteria (Phase 3: Step 3)



## **Step 3: Closing out a CWIP activity (OMAO, FO)**

- CWIP activity can be closed when:
  - Undelivered orders equal \$0 (CA500D)
  - Unpaid costs equal \$0 (CA500D)
  - CWIP costs equal \$0 (CA500D)
  - No further costs are expected to be incurred

# Close-Out Process (Phase 3: Step 3)



- CWIP Activity Manager requests FO to close the CWIP activity via email
- FO will, upon review of CA500D/balances,:
  - Mark the activity as complete in the CWIP Activity Database
  - Purge all project codes linked to the CWIP activity
    - Changes the project code type from CWIP/IUSD to CWIPC/IUSDC
- All costs must be paid and capitalized prior to the CWIP activity being closed



# Resources

- CWIP Website
  - <https://www.corporateservices.noaa.gov/~finance/CWIP.html>
- PPMB Website
  - <https://www.pps.noaa.gov/>
- RPMD Website
  - [https://www.corporateservices.noaa.gov/rpflo/real\\_property/](https://www.corporateservices.noaa.gov/rpflo/real_property/)
- FASAB Standards
  - <https://fasab.gov/accounting-standards/>



# Points of Contact

- OCFO, Finance Office – Financial Statements Branch
  - Christi Fierro
  - Heather Potter
  - [CWIP.Notification@noaa.gov](mailto:CWIP.Notification@noaa.gov)
- OCAO, Personal Property Management Branch
  - Jeannie Brown
  - Ken Morrow
- OMAO
  - Danita Hampton
  - Pat Baxter

# Questions?





# Appendix

# Roles and Responsibilities CWIP Activity Manager



- CWIP Activity Manager (OMAO):
  - 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

# More Roles and Responsibilities CWIP Activity Manager



- CWIP Activity Manager (OMAO):
  - 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 CWIP Project Manager



- CWIP Project Manager (OMAO):
  - 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
  - Adheres to CWIP policy
  - Completes mandatory CWIP training each fiscal year
  - Has CWIP critical element language in their performance plan

# Roles and Responsibilities CFO



- Chief Financial Officer (OMAO CFO):
  - 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 OMAO



- OMAO:
  - Ensures compliance with CWIP policy
  - Provides construction requirements and funding
  - Ensures all CWIP requirements are met before expending the funds

# Roles and Responsibilities NOAA Personal Property



- NOAA Personal Property Offices (Personal Property Management Branch (PPMB)) within the NOAA Office of Chief Administrative Officer (OCAO):
  - 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 NOAA Finance Office



- NOAA Finance Office (FO) – Financial Statements Branch (FSB):
  - 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