



NOAA's

CONSTRUCTION WORK-IN-PROGRESS

(CWIP)

POLICY & PROCEDURES



Updated August 2008
(Original September 1998)

Summary of Changes

Date	Description of Change
August 2008	<ul style="list-style-type: none"> • More information added on CWIP projects funded by internal & external reimbursable activities/funding – Section 8.0 • More information added to Appendix Q – bulk purchases & multiple site CWIP activities
June 2008	<ul style="list-style-type: none"> • Finalized and added Appendix J – OMAO Ship Construction/Purchases, Upgrades and Modifications guidance • Added new section (Section 6.2) for integral vs. non-integral property and equipment and treatment of the assets • Revised Appendix A – revised definitions for: <ul style="list-style-type: none"> ○ Integral and Non-Integral ○ Bulk Purchase – revised its relevance to CWIP • Added new Figure (Figure 2) – Decision Tree – Integral vs. Non-Integral • Modifications made to OCAO references to include the Real Property Office in decision points affecting property • Figure 1.2 modified to include OCAO-RPFLO • Revised Appendix K to include requirements, details and instructions for standardized Discoverer Query for CWIP Documentation Files (“CWIP-Certification-Workbook”) <ul style="list-style-type: none"> ○ Added new Appendix K.1 for CWIP Activity Manager certification of query results ○ Added new Appendix K.2 and K.3 to provide examples of query output • Revised Appendix I.3 – NF37-6 (for Real and Personal Property) to ease use of form for CWIP Activity Managers, FO and Property Offices <ul style="list-style-type: none"> ○ Revised NF 37-6 form dated 6/2008 is EFFECTIVE 8/1/08 – submission on prior forms on 8/1/08 or after will be rejected (Early implementation is recommended) • Revised Appendix I.1 – CWIP Activity Manager NF 37-6 Checklist to align with the June 2008 version of Appendix I.3 NF 37-6 form <ul style="list-style-type: none"> ○ Revised Checklist dated June 2008 is EFFECTIVE 8/1/08 (Early implementation is recommended if 06/2008 NF 37-6 form is implemented early) • Added Appendix R for a standard CWIP Determination Letter Template <ul style="list-style-type: none"> ○ Revised CWIP Determination Letter Template is EFFECTIVE with all CWIP projects beginning in FY 2009 (Early implementation is acceptable)
April 28, 2008	<ul style="list-style-type: none"> • Revisions to wording (main document, pages 24-26 & Appendix A) relating to integral & non-integral property and equipment
April 2008	<ul style="list-style-type: none"> • NEW Requirements added (Effective 5/1/08), including: <ul style="list-style-type: none"> ○ Annual impairment analysis required on all open CWIP activities

	<ul style="list-style-type: none"> ○ CFO or CAO (Deputy CAO) certification required for all NF 37-6s ● Policy – Clarified Roles & Responsibilities, Specific Asset Guidance, File Documentation Guidance, Updated Impairment Section, Various other editorial, revision and addition/expansion updates *** ● Appendix A – Definitions *** ● Appendix B – Updated FASAB Reference ● Appendix C – Updated Acronyms ● Appendix D – Updated for required impairment analysis ● Appendix I – Preparing and Reviewing the NF 37-6; Revised NF 37-6 Report of Property Constructed *** <ul style="list-style-type: none"> ○ New NF 37-6 form Effective 5/1/08 – submission on prior forms will be rejected ● Appendix J – OMAO CWIP Guidance *** ● Appendix K – CWIP Documentation File *** ● Appendix N – Understanding the CBS CWIP Report (CA500D) *** ● Appendix O – CWIP Reconciliation Template Instructions (for CBS) *** ● Appendix O.1 – CWIP Reconciliation Template *** ● Appendix O.2 – CWIP Manager’s Reconciliation Review Checklist *** ● Appendix O.3 – CFO/M&B Chief/CAO (Deputy CAO) CWIP Reconciliation Review Checklist *** ● Appendix P – Advanced / Prepaid Amounts for CWIP Activities *** ● Appendix Q – Frequently Asked Questions *** ● Figure 1 – CWIP Process Flowchart *** <p>*** <i>Indicates NEW information or requirements added</i></p>
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**These policies & procedures can be
found at:**

[http://www.corporateservices.noaa.gov/~
finance/CWIP.html](http://www.corporateservices.noaa.gov/~finance/CWIP.html)

OR

<http://www.corporateservices.noaa.gov/>

Click on Chief Financial Officer

Click on Finance Office

Click on CWIP (Quick Links)

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- Appendix M: NOAA CFO February 2008 Memo – CWIP Activity Manager Responsibilities
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Figure 1: CWIP Process Flowcharts

1.1 – Budget Approvals

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1.3 – Project Determination

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1.5 – Project Reconciliation

1.6 – Project Capitalization

Figure 2: Decision Tree – Integral vs. Non-Integral

1.0 Purpose & Scope

1.1 Purpose

The purpose of this document is to prescribe the policies and procedures for identifying, documenting, reporting and monitoring the National Oceanic and Atmospheric Administration (NOAA) Construction Work-In-Progress (CWIP) program. Furthermore, these policies and procedures for CWIP includes activities for identifying, documenting, reporting and monitoring design and development of software that NOAA will use internally.

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of Government. Thus, Federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to (1) assess the government's accountability and its efficiency and effectiveness, and (2) contribute to the understanding of the economic, political, and social consequences of the allocation and various uses of federal resources.

1.2 Scope

The new requirements in this policy are **effective May 1, 2008**, as follows:

- Formal impairment analysis that must be completed annually is effective for all open CWIP activities
- Identifying prepaid/advanced amounts for CWIP activities and providing data, including work completed, is effective for all open CWIP activities
- CFO/CAO (Deputy CAO) certified NF 37-6s apply to all NF 37-6s submitted to the Finance Office beginning on May 1, 2008

For all open CWIP activities started prior to May 1, 2008 are also subject to the requirements in this policy and procedures document.

2.0 Overview of CWIP and the Process

CWIP policy and procedures must be followed by any Line Office (LO) or Staff Office (SO) expending funds as part of a CWIP asset. Failure to comply with CWIP policy and procedures may negatively impact the Department of Commerce’s annual audit results and may then, in turn, negatively impact NOAA.

CWIP is a temporary holding account (SGL Account 1720) used to track costs during the design and construction of PP&E as part of NOAA’s financial statements. The costs remain in the CWIP account until the PP&E has been constructively delivered and accepted by NOAA. When the item is placed into service, accruals are required for all remaining undelivered order amounts for goods or services received or provided. After accruals are processed, all of the remaining CWIP costs should be transferred to the appropriate PP&E asset account and depreciated. CWIP is an extension of real and personal accountable property and CWIP issues and costs are governed by the policy for general Property, Plant and Equipment (PP&E).

NOTE: The CWIP policy and procedures must be followed even if a project, which will result in the capitalization of the asset, is expected to begin and finish in the same FY.

In addition to the acquisition costs of PP&E, certain costs associated with preparing the asset for service must be capitalized, and therefore, need to be recorded in the CWIP account. With the procedures established in this document, NOAA will be able to maintain an accurate record of CWIP in the accounting system.

The determining factor of whether an activity will require processing as CWIP depends on whether or not the property is expected to be capitalized – those LO/SO determinations are ultimately reviewed by the NOAA Office of Chief Administrative Officer (OCAO), specifically the Project Planning and Management Division (PPMD), the Real Property Management Division (RPMD) and the Personal Property Management Branch (PPMB). Additionally, from an accounting standard and audit perspective, the NOAA Finance Office (FO) and NOAA’s contract auditors may also review CWIP activity and determinations made by LO/SOs with OCAO oversight.

In order to be considered a CWIP activity, a construction project must meet **all** of the following four criteria for capitalization:

- (1) have an aggregate acquisition cost of \$200K or more, **and**
- (2) have an estimated service life of two years or more, **and**
- (3) provide a long-term future economic benefit to the NOAA organization which maintains or obtains control, **and**
- (4) is not intended for sale in the ordinary course of operations

Subsequent determinations must be made for capital improvement efforts. An activity that extends the useful life of an asset, or enlarges or improves its service capacity, is considered a capital improvement and will be capitalized and must be treated as a CWIP activity.

If there is even the slightest possibility that any activity may require CWIP handling, please contact OCAO's appropriate Property Office (Real and/or Personal) and/or PPMO to verify before any obligations are incurred to avoid considerable difficulties in getting the

CWIP activities are to be identified *prior to* any costs being incurred. It is critical that a unique CBS CWIP project code, as well as a non-CWIP project code, be assigned at the activity's inception, so that the key steps can be incorporated early, avoiding time-consuming reconstruction and documentation of all relevant costs.

Quarterly, the NOAA Budget Execution Office (BEX) will issue a CWIP Activity Listing to all LO organizations, PPMO and PPMB, FO and designated CWIP Activity Managers, as well as posting it on the CWIP website. The CWIP website includes key information on the overall activity, including policies and procedures.

There are three major groups of assets which are generally capitalized and may require the use of the CWIP process:

- Real Property – construction or significant improvement of a facility
- Personal Property – acquisition, development, construction or installation of equipment or asset which is not real property, or the significant improvement or modification to the original asset
- Internal Use Software – development or modification to software which will be used internally
 - Any developed or modified software that will be used internally, including enhancements, which will be completed and eventually depreciated in NOAA's financial statements, must follow the CWIP policy and procedures guidance.
 - Internal Use Software – in Development is a “sub-set” of CWIP
 - Internal Use Software – in Development will be assigned unique CBS project “types” of IUSD or IUSDC (see Section 5)

REQUIRED – It is NOAA's policy that there is a CWIP Project Manager and CWIP Activity Manager designated to every CWIP activity.

The proper accounting for CWIP is important not only because it is mandated under the Chief Financial Officers (CFO) Act of 1990, but because it also supports the capitalized PP&E and depreciation components of the entity's financial statements.

The following are the major steps involved in the CWIP accountability process:

- Accepting roles and responsibilities for the CWIP process – the responsibilities of the relevant offices in the CWIP activity process are documented throughout the policies and procedures document.
- CWIP Activity/Project Manager Identification – determining whether or not an activity meets the criteria for a CWIP activity; if so, designating a CWIP Project Manager and CWIP Activity Manager and ensuring completion of mandatory CWIP training annually.
- CBS CWIP Project Code Assignment – if an activity meets the CWIP criteria and is

identified as CWIP activity, ensure that a unique CBS CWIP project code is assigned to enable the capturing of costs incurred under that CBS project code.

- **NOTE** – the CBS CWIP project code must follow the unique CWIP project code structure stated in this policy.
- CWIP Activity Cost – the costs associated with a CWIP activity must be accurately segregated, tracked and recorded, either as capital CWIP costs or expensed CWIP costs.
- Documentation – the required documentation for a CWIP activity, from its inception to completion, must be collected and transferred to the Real/Personal Property Offices, in support of the NF 37-6 for asset review and entry into the property system.
- Transferring the asset from CWIP to PP&E – capital costs accumulated in the CWIP portion of the general ledger must be transferred from the CWIP account to the general PP&E asset accounts upon completion of the activity.

With the information collected, through adherence to this policy and procedures document, NOAA will be able to maintain the detailed subsidiary records required to support CWIP costs.

3.0 Roles & Responsibilities for CWIP Process

The NOAA Office of Chief Administrative Officer (OCAO), specifically the Property Offices (Real and Personal) and PPMD, has the overall responsibility for oversight of NOAA's CWIP activities, policies and procedures, ensuring all CWIP activities adhere to NOAA's CWIP policies and procedures. These offices are responsible for:

- providing guidance on NOAA CWIP policies and procedures
- reviewing LO/SO determinations for capitalization of real and personal property, respectively, and providing guidance to LO/SO in determinations as to whether an activity will result in a CWIP activity
- ensuring the accuracy of the CWIP costs included for capitalization in the property system, through review of the NF 37-6s provided and supporting CWIP documentation files, for NF 37-6 capitalization submissions prior to entering the asset into the property system
- providing annual CWIP training program, which includes coordination of the training and tracking CWIP Project/Activity Manager completion within the specified amount of time stated in this policy

The NOAA FO has the overall responsibility for issuing, interpreting, monitoring and maintaining the CWIP guidance, including consolidation of modifications to existing guidance. The FO also is responsible for providing guidance to ensure the policies and procedures are consistent with external accounting standards and requirements (e.g., the Federal Accounting Standards Advisory Board (FASAB)). The NOAA FO also maintains the policy for Internal Use Software.

The NOAA BEX Office is responsible for maintaining the CWIP Activity Listing database, including CWIP activities, project codes, estimated completion dates, estimated costs and names of CWIP Activity Managers.

The OCAO PPMB, NOAA Chief Information Office (CIO) and the FO are responsible for the policies and procedures for capitalization of Software Developed to be Used Internally (Internal Use Software – in Development).

The LO/SO expending CWIP funds is responsible for ensuring all CWIP requirements are established before expending the funds and for ensuring compliance with all CWIP procedures.

Various other roles and responsibilities exist in the NOAA LOs and the OCAO Office, including CWIP Project Manager, CWIP Activity Manager and CFO/CAO responsibilities.

3.1 Roles & Responsibilities of LO CFOs & NOAA's CAO (Deputy CAO)

The LO CFOs and NOAA CAO (Deputy CAO) of the designated CWIP Project & Activity Managers must ensure CWIP reconciliations are submitted to the FO, Financial Statements Branch (FSB). Additionally, the CFO or CAO (Deputy CAO) will:

- Ensure all staff adhere to the NOAA CWIP Policy and Procedures for all applicable CWIP activities
- Ensure all applicable CWIP activities are designated as CWIP at the start of the activity
- Ensure CWIP Project and CWIP Activity Managers are designated for each CWIP activity
- Ensure all CWIP Project and CWIP Activity Managers complete the mandatory CWIP training each year, or within the specified amount of time for newly appointed CWIP Project and CWIP Activity Managers
- Review required monthly CWIP reconciliations from CWIP Activity Managers and submit to FO-FSB by established monthly due dates
 - **NOTE** – Management & Budget (M&B) Chiefs **are** permitted to review and approve monthly CWIP reconciliations for CFOs or CAO (Deputy CAO)
- Review and certify all NF 37-6s for CWIP capitalization at the delivery or acceptance of a completed CWIP activity
 - **NOTE** – Management & Budget (M&B) Chiefs **are not** permitted to certify the NF 37-6s for CFOs or CAO (Deputy CAO)

3.2 Roles & Responsibilities of LO Headquarters Office

The NOAA LO Headquarters Office is responsible for providing the construction needs and funding. Additionally, the LO Headquarters Office:

- Ensure standard and unique CBS CWIP project code structure is followed for all CWIP project codes when CWIP Project Code Request Form is received from CWIP Activity Manager
- Provide Budget Contacts with Budget Operating Plan (BOP) authority
- Provide CBS depreciation organization, project and task code information to the CWIP Activity Managers

3.3 Designation and Roles & Responsibilities of CWIP Project Manager

Each office with funds allocated to a CWIP activity is responsible for ensuring that CWIP policies and procedures are followed for all applicable activities and a CWIP Project Manager is designated for each activity. The CWIP Project Manager is the individual who provides construction management support and needed CWIP documentation to the CWIP Activity Manager. In addition, the CWIP Project Manager must:

- complete and provide CWIP Determination Letter to CWIP Activity Manager for all construction-related activities (at the start of the CWIP activity – before any obligations are incurred)
- complete and provide BOP Worksheet to Budget Contact
- provide revised estimated schedule dates of design start, construction completion/cost, BOD and/or acceptance date/placed in service to the CWIP Activity Manager
- prepare and/or forward a total cost estimate for the CWIP activity to the CFO or M&B Chief
- submit all obligating documents to CWIP Activity Manager prior to obtaining authorizations;
- ensure all award documents and related invoices are provided to the CWIP Activity Manager and Budget Contact

- ensure correct accounting codes are used (CWIP and non-CWIP) on all transactions
- notify appropriate servicing payments offices to accrue undelivered orders to accounts payable
- immediately following acceptance and/or BOD of a CWIP activity, complete and distribute a BOD memorandum to the client and CWIP Activity Manager
- ensure a formal analysis is performed annually, at a minimum, to determine if an impairment situation has occurred and if the CWIP activity is viable or likely to be completed and provide the analysis to the CWIP Activity Manager.
- complete mandatory CWIP training annually (see Section 4.0 for more information)
 - Exception – newly appointed CWIP Project Managers must complete the CWIP training within one month of becoming a CWIP Project Manager

3.4 Designation and Roles & Responsibilities of CWIP Activity Manager

Each office with funds allocated to a CWIP activity is responsible for ensuring that CWIP policies and procedures are followed for all applicable activities and a CWIP Activity Manager is designated for each activity.

The CWIP Activity Manager has the overall responsibility for the financial and budgetary activities, as well as the responsibility for the accuracy of the valuation of the CWIP asset.

The CWIP Activity Manager is responsible for maintaining financial control over each CWIP Activity, whether the activity is real property, personal property or internal use software activity. The CWIP Activity Manager is also responsible for:

- providing CWIP guidance to the CWIP Project Manager for the CWIP Determination Letter – final determinations for questions will be given by the OCAO’s Property Offices
- ensuring that the work required to record the capitalization of the costs during the production/construction of the asset is performed
- ensuring that the value of the asset is accurately reported during the CWIP stage
- ensuring that the costs are properly reclassified as capitalized assets upon completion of the production/construction and are entered into the appropriate property management system

A CWIP Activity Manager is defined as “the individual who maintains obligating documents for a CWIP activity. They will also collect, record and verify all costs, including direct and incidental labor associated with the CWIP activity.”

The name, address and telephone number of the CWIP Activity Manager and designated financial representatives should be forwarded to the NOAA BEX Office when the CBS CWIP Project Code is established. The completion of a CWIP Activity Project Number Request Form is required (electronic copies of the form can be found on the NOAA CWIP website).

In addition to the single overall CWIP Activity Manager, other individuals (i.e., designated financial representatives) can be identified on the CWIP Activity Listing as designated to assist the CWIP Activity Manager for:

- the preparation and accuracy of the reconciliations, and/or
- the maintenance of the needed documentation of the costs of the program

Others, in support of the CWIP activity, must report either to the CWIP Activity Manager or to the CFO/CAO. However, the CWIP Activity Manager still has the ultimate responsibility for the CWIP activity and must adhere to NOAA's CWIP policies and procedures and ensure all required activities are properly carried out.

The responsibilities of the CWIP Activity Manager include:

- thoroughly understand the NOAA CWIP policies and procedures set forth on the NOAA CWIP website (<http://www.corporateservices.noaa.gov/~finance/CWIP.html>)
- complete mandatory CWIP training annually (see Section 4.0 for more information)
 - Exception – newly appointed CWIP Project Managers must complete the CWIP training within one month of becoming a CWIP Project Manager
- prepare and maintain a schedule of completion for the CWIP activity to include start date, key milestones, and projected costs and completion date (including revisions of CWIP completion dates)
- maintain a current CWIP Project Completion Schedule
- review the quarterly CWIP Activity Listing and advise NOAA BEX Office of changes in estimated costs, project completion date, or CWIP Project/Activity Manager assignments
- ensure all CWIP activities are set up as CWIP correctly at the onset of the activity or take corrective action immediately when a CWIP activity setup incorrectly has been identified
- ensure all CWIP project codes are set up properly by utilizing the unique CBS CWIP project code structure (activities not set up correctly will need deactivation and accounting corrections made to clear the incorrect project code)
- notify FO-FSB when the CWIP activity is complete and all obligations have been paid and request the CWIP project code project "type" be changed from "CWIP" to "CWIPC" or "IUSD" to "IUSDC" for all completed CWIP activities, which will allow the projects to purge from the CBS CWIP Report (CA500D)
- maintain a CWIP documentation file, including copies of invoices and CBS reports, ensure the files are complete and accurate and support the full CWIP costs of the activity, and verify that the documentation in the CWIP documentation files agrees to the most current CBS CWIP Report (CA500D) by project/task and fiscal year (FY)
- capture and allocate all costs correctly, both capital and expense, and maintain all documentation necessary to support all CWIP amounts on the CBS CWIP Report (CA500D) and reported in the NF 37-6 "Report of Property Constructed"
- determine that each cost charged to the CWIP activity should be capitalized and not expensed to another non-CWIP project code
- review all obligating documents for CWIP compliance, and make needed corrections, if required

- conduct monthly reviews of the CBS CWIP Report (CA500D), verify the accuracy of CBS project code balances, object class coding, and dollar amounts and take corrective actions for any project codes not following the unique CBS CWIP project code numbering structure and negative “uncapitalized costs” amounts
- reconcile CWIP balances, on a monthly basis, using the required CWIP Reconciliation Template, for all costs in the CWIP documentation file to the CBS CWIP Report (CA500D), ensuring completeness and accuracy for all CWIP costs (exclude all undelivered order balances from reconciled balances)
- ensure that all differences and adjustments necessary to the CBS CWIP Report (CA500D) are identified properly on the reconciliation template, explained in adequate detail and resolved within four weeks of noted difference
- submit cost adjustments for corrections, as needed
- submit annual cost adjustments to record “Incidental and Administrative Costs” for the activity (if applicable)
- ensure CFO/M&B Chiefs/CAO (Deputy CAO) review and certify the accuracy and completion of the monthly CWIP reconciliations, prior to forwarding to the FO;
- ensure timely submission of monthly CWIP reconciliations, approved by CFO/M&B Chief/CAO (Deputy CAO), to FO-FSB
- ensure CFO/CAO (Deputy CAO) review and certify the accuracy and completion of all NF 37-6 “Report of Property Constructed” for completed CWIP activities, prior to forwarding to the FO and/or Property Offices
- ensure timely submission, approved by CFO or CAO (Deputy CAO), of NF 37-6 “Report of Property Constructed” to transfer costs of CWIP activities immediately once a constructed property item is placed into service to FO-FSB
 - **NOTE** – the NF 37-6 must have the CFO/CAO (Deputy CAO) signature prior to submission to the FO – submission received without proper approval will be returned to the CWIP Activity Manager
- ensure revisions of the projected CWIP completion dates are sent to the appropriate NOAA personnel, responsible for maintaining the CWIP Activity Listing, on a timely basis
- ensure assignment of a property identification number (PIN) upon completion of the activity (Note – Real property identification numbers are automatically assigned by the Federal Real Property System once the building occupancy date is entered).
- submit an amended NF 37-6 to the FO for review and certification, if the total capitalized amount differs from the amount recorded earlier, when final payment is authorized for the CWIP activity. Upon acceptance, the FO will forward to appropriate Property Office
- send request to the FO to change the CBS CWIP project code project “TYPE” for completed activities to either CWIPC or IUSDC so that completed activity can purge from the CBS CWIP Report (CA500D) (see Appendix N “Understanding the CBS CWIP Report (CA500D)” for purge criteria)
- ensure a formal analysis is performed annually, at a minimum, to determine if an impairment situation has occurred and if the CWIP activity is viable or likely to be completed. The CWIP Activity Manager is responsible for notifying the FO-FSB so the appropriate financial statement adjustments can be recorded. The impairment analysis can be part of the monthly CWIP reconciliation reviews.
- identify amounts prepaid or advanced for CWIP activities where work is not completed and

notify the FO-FSB, providing advanced amounts not completed, so the appropriate financial statement adjustments can be recorded

The details of these responsibilities are included throughout this document and its appendices.

NOTE – If any of the above mentioned parties believe an activity should be CWIP, but appearances indicate it is not being tracked as CWIP, it is the responsibility of that party to notify the OCAO's appropriate Property Office (Real and/or Personal) and/or PPMD.

3.5 Transferring of CWIP Responsibility

If the overall management and control of CWIP activity is transferred to another organization from the organization funding the activity (CWIP Project/Activity Managers are outside the funding LO), then all of the responsibilities for management and documentation of the CWIP process are also transferred – the designated CWIP Project/Activity Managers are responsible for ensuring the NOAA CWIP policies and procedures are followed for all CWIP activities. Transferring of CWIP responsibilities often occurs when major construction activities are transferred from a LO to NOAA's Corporate Offices to manage. However, a CWIP activity, which is identified as a single item on the CWIP Activity Listing, **can have only ONE overall CWIP Activity Manager.**

4.0 Mandatory Annual CWIP Training

CWIP training is mandatory and must be completed annually by all CWIP Project Managers and CWIP Activity Managers. The CWIP training is available online.

All CWIP Project Managers and CWIP Activity Managers must complete the mandatory CWIP training, on an annual basis.

If the CWIP Project Manager and/or CWIP Activity Manager are newly appointed, the mandatory CWIP training must be completed within one month of their appointment to their CWIP role. It is the responsibility of the LO CFO to ensure compliance and completion of the annual CWIP training.

OCAO's PPMD and/or PPMB are responsible for the annual CWIP training program. These offices are also responsible for coordinating the CWIP training, tracking whether CWIP Project Managers and/or CWIP Activity Managers have completed the mandatory training annually, and ensuring that all CWIP Activity Managers complete the training within the specified amount of time. Furthermore, these offices should inform the appropriate CFOs and/or CAO of CWIP Project/Activity Managers who have not completed the required training annually or during the specified amount of time.

5.0 CBS CWIP Project Code Assignment

Once an activity is identified as CWIP and funds are available, the CWIP Activity Manager, working through the M&B Chief and the LO Headquarters Office, must ensure that the required CBS CWIP project codes are immediately assigned to the CWIP activity. A CWIP activity must have, at a minimum, two unique CBS project codes assigned:

- CWIP project code to capture all costs associated with that activity that are to be capitalized – will have a CBS project ‘type’ of CWIP (or IUSD for Internal Use Software in Development); and
- Non-CWIP project code for costs associated with the CWIP activity that should not be capitalized as part of the CWIP activity, but should instead be expensed – will have a CBS project ‘type’ of something other than CWIP (or IUSD for Internal Use Software in Development).

The CBS accounting system and the OCAO’s Unreconciled Payments Report (UPR) must recognize CWIP/IUSD project codes for CWIP/IUSD activities and costs to be accumulated in a CWIP/IUSD asset account (CWIP-1720; IUSD-1832) – project types are identified by project ‘type’ on the CBS project screen and by the unique project code structure that is required for project codes.

It is imperative that the appropriate unique CWIP project code structure be followed when assigning project codes to CWIP activities or the CWIP Activity Manager will be required to make corrections when non-compliant project codes are identified.

NOTE – the project code structure is a "key" factor for suppressing CWIP records from the personal property UPR report.

NOTE for CWIP Activities funded by REIMBURSABLES:

When NOAA’s CWIP activities are funded by an outside source, through reimbursable funding, the project codes for the CWIP amounts funded by the reimbursable sponsor will not follow the same CWIP project code structure. CWIP activities funded by reimbursable funding should follow the appropriate reimbursable project code structure in CBS for NOAA’s activity (see Section 8.0 for more information).

5.1 ORF Direct Funded CBS CWIP Project Code Structure

For CWIP activities derived from Operations Research and Facilities (ORF) funding in the various 13_1450 Treasury symbols, the 2nd position of the CBS project code should be a “4” at all times. Using a “4” in the 2nd position of the CBS project code, instead of the normal “8” in that position, indicates that the CBS project code is a CWIP project code derived from ORF funding (i.e., “x4xxxx”). The first position of the CBS project code should be the LO identifier for project codes set up in NOAA’s no year ORF fund codes (CBS FC 01). However, if the project code is assigned to one of NOAA’s multi-year ORF fund codes (CBS FCs 23, 27, 31, 33, 35, 37, 83, 85, 87, etc.), starting in FY 2003, the first alpha position of the CBS project code

represents the FY (i.e., for FY 2003, the first position of the CBS project code was assigned as “A” and for FY2008, the first position of the project code was assigned as “F”).

Project ‘types’ for CBS CWIP project codes in ORF FCs should be ‘CWIP’ (or ‘IUSD’); and ‘CWIPC’ (or ‘IUSDC’) for completed CWIP activities.

5.2 PAC Direct Funded CBS CWIP Project Code Structure

For CWIP activities derived from Procurement Acquisition and Construction (PAC) funding in the various 13_1460 Treasury symbols, the 2nd position of the CBS project code should be a “2” **and** the 4th position of the CBS project code should be a “F” (**NOTE** – **both** conditions must exist for project codes with PAC funding). Using a “2” in the 2nd position **and** a “F” in the 4th position of the CBS project code, instead of other positions in the 4th position, indicates that the CBS project code is a CWIP project code derived from PAC funding (i.e., “x2xFxxx”). The first position of the CBS project code should be the LO identifier for project codes set up in NOAA’s no year PAC fund codes (CBS FC 16). However, if the project code is assigned to one of NOAA’s multi-year fund codes (CBS FCs 24, 28, 32, 36, 82, 84), starting in FY 2003, the first alpha position of the CBS project code represents the FY (i.e., for FY 2003, the first position of the CBS project code was assigned as “A” and for FY2008, the first position of the project code was assigned as “F”).

Project ‘types’ for CBS CWIP project codes in PAC FCs should be ‘CWIP’ (or ‘IUSD’); and ‘CWIPC’ (or ‘IUSDC’) for completed CWIP activities.

Since the CBS general ledger accumulates the cost of each CBS CWIP project code separately, it is important that each CBS project code issued be used for that specific activity only, as well as establishing the 6th and 7th position of the CBS project code as a unique identifier to a specific activity. For example, a project code for Santa Cruz might have “SC” as the identifier in both the CWIP and non-CWIP (expense) CBS project codes (i.e., 62PF1SC for CWIP capitalized costs and 62PC1SC for non-CWIP non-capitalized costs).

CBS task codes must stand alone and not be of a support type function that must be allocated to several tasks or included in their general support task plan.

5.3 Use of CWIP Sub-Activities

For each overall CWIP activity, only one CBS project code can be used along with one CWIP Activity Manager. Likewise, a consolidated monthly CWIP reconciliation for the CWIP activity is required and must include each CBS CWIP project code within the CWIP activity. Given this restriction organizations can still establish several “components” or CWIP sub-activities under the overall CWIP activity and differentiate them by using different CBS task codes within the CBS CWIP project code. However, the information for the CWIP sub-activities should be recorded under the overall CWIP activity in the CWIP Activity Listing database.

6.0 CWIP Costs

The CWIP Activity Manager is responsible for reviewing all obligating documents and determining that each costs charged to the CWIP activity is correctly 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.

It is the CWIP Activity Manager's responsibility to ensure that all costs, both capital and expense, are captured and allocated correctly.

6.1 CWIP Capital Costs

Specific examples of costs the CWIP Activity Manager should include in CWIP for capitalization are:

- labor cost for design and engineering – defined as architectural and engineering design used for construction or production contracting ***
- planning activities resulting in final design
- actual contract costs with modifications for architectural and engineering contract design
- actual costs for architectural and engineering task orders for design surveys (i.e., geotechnical survey to finalize foundation design in process -- to be distinguished from surveys conducted in the planning stage, such as land surveys)
- storage costs of Government Funded Equipment (GFE) delivered prior to installation date
- duplication costs of 100% design drawings
- construction contract and all modifications
- materials and all actual labor associated with construction

*****NOTE** – If design is stopped for a change in scope, a determination must be made to capitalize the design costs to date. If the original design is abandoned and a new design initiated, a cost adjustment must be made to transfer those design costs already recorded from the CBS CWIP project code to a CBS non-CWIP project code. If the original design is retained and modified, the design costs already recorded will remain in the CBS CWIP project code and the additional costs will be added.

6.1.1 Capital Labor Costs

Labor costs for design and engineering of CWIP activities must be captured as a capitalized labor cost. The labor costs will be reflected in the CBS CWIP Report (CA500D) and will be encompassed within CBS object class codes 11xx, 12xx and 77xx for salary, leave, benefits and indirect costs, respectively. The sum of these three CBS object class codes is the total labor and indirect costs to be capitalized.

In addition, for all CWIP activities, an “incidental and administrative” cost should be captured to represent costs for:

- labor for procurement, finance, supervisory, clerical, etc.
- labor for engineers performing project management tasks associated with A/E design effort and construction management tasks
- program/client labor associated with design review and construction management
- all other non-labor, i.e., travel, printing (other than final design drawings that go with the construction solicitation), ordinary supplies, etc.

NOAA will use a 3% and 5% calculation for incidental and administrative costs, which will eliminate the need to capture actual costs for these type activities. The 3% and 5% will be recorded as a cost adjustment on an annual basis, but should be calculated in monthly increments for the amounts.

For real property CWIP construction, the 3% and 5% will be calculated as a percentage of the estimated construction contract cost only.
For personal property CWIP construction, the 3% and 5% will be calculated as a percentage of the estimated total project cost.

A cost adjustment of 3% will be applied for CWIP activities with a relevant cost (construction or total activity) estimated to be \$1,000,000 or greater; for CWIP activities under \$1,000,000 a cost adjustment of 5% will be applied. **NOTE** – no cost adjustments are required until the FY in which the design period begins.

The annual cost adjustment for incidental costs must use a **separate and distinct set of CBS project codes**. Costs must be adjusted from a funded CBS non-CWIP related project code to the CBS CWIP project code.

6.1.2 Incorporation of Leave, Benefits & Indirect Costs

When direct labor is charged to a project code, CBS's cost allocation process applies a leave and benefit surcharge and indirect costs to the CWIP project code to ensure full cost of labor is associated with the CWIP activity.

For the purposes of estimating the full labor costs of a CWIP activity, the organization should use the total cost of labor which is made up of:

- cost of the direct labor (hourly rate times the number of hours)
- the leave surcharge amount (cost of direct labor times the FMC leave surcharge rate)
- the benefit surcharge (the sum of "a" and "b" times the benefit rate)
- NOAA indirect costs

Both labor cost adjustments to reassign labor to an activity and Summary Level Transfer (SLT) cost adjustments will result in applied leave and benefit surcharges. (Guidance for completing cost adjustments is available at <http://corporateservices.noaa.gov> (click on CBS Help Desk,

under CBS Info, click on SLTs).

6.1.3 Considerations for CWIP Capital Costs

CWIP capitalized costs involve construction and installation costs, and generally include all ancillary costs associated with design, delivery, project management, as well as testing and implementing the equipment or facility. CWIP capitalized costs are usually non-recurring, although several years may be required to complete large installation activities and funding may be spread over that period. FASAB's Statement of Federal Financial Accounting Standards (SFFAS), Number 6, "Accounting for Property, Plant, and Equipment (PP&E)," states that costs captured shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use, and should include:

- amounts paid to vendors
- transportation charges to the point of initial use
- handling and storage costs
- labor and other direct or incidental 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
- an appropriate share of the cost of the equipment and facilities used in construction work
- fixed equipment and related installation costs required for activities, 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
- fair value of facilities & equipment "transferred" to NOAA by another Federal agency (includes amounts funded through reimbursable funding, if ownership transfers from reimbursable sponsor to NOAA at activity completion)
- material amounts of interest costs paid (interest costs refers to any interest paid by the reporting entity directly to providers of goods or services related to the acquisition or construction of PP&E).

Additional considerations include:

- planning studies including economic/cost benefit analyses, feasibility studies, National Environmental Policy Act (NEPA) activities, programming studies, conceptual space layouts and designs, surveys prior to initiation of design, concept studies, risk management studies, etc.
- demolition of an existing building or structure to prepare a site for construction of a new building, structure or addition. The Real Property Office should be notified in the planning stage of any potential demolition of a Federal government-owned building or structure for assistance in obtaining the proper approvals.

In addition to the costs of constructing an asset, costs of additions, alterations, betterments,

rehabilitations, replacements or upgrades that meet the criteria in Section 2.0, and **extend the useful life of the asset, or enlarges or improves its service capacity**, should be treated as a CWIP activity. A “Useful Life Determination” shall be made based on OMB Circular A-76 policy. The CWIP Activity Manager should consult with the OCAO’s Property Offices (Real and/or Personal) and/or PPMD in order to determine the useful life of the assets in such cases.

6.1.4 Extraneous CWIP Cost Considerations

Some CWIP activities extend over several years and may not have any purchases in any specific year. For CWIP activities where this scenario occurs, CWIP Project Managers should not charge any CWIP project codes with costs until significant milestones and/or events are met. CWIP Project Managers should develop work schedules to identify significant events and milestones over the life of the CWIP activity in question. Upon the attainment of each successive project milestone (may not have any in some years), the CWIP Project Managers will capitalize the costs incurred to date using the NF 37-6 capitalization document. When multiple significant milestones or events occur during the same FY, the CWIP Project Managers should capitalize all of the cumulative costs for that FY under the final completed milestone for that year.

For on-going CWIP activities, in which few capital assets are purchased (items \$200K or over) in any one year, the CWIP Project Managers should capitalize each particular capital asset when that item becomes operational. All other activity costs (not associated with the capitalized equipment item) should follow the guidance above and be capitalized when significant events and/or milestones occur.

6.2 Integral vs. Non-Integral Property and Equipment

If an item is an integral part of a CWIP asset, then the item shall, for the purposes of property records and CWIP accountability, be considered a cost of the CWIP activity.

To determine if an item is integral or non-integral to a CWIP asset, reference Figure 2 – Decision Tree – Integral vs. Non-Integral.

Property and equipment that is not integral to the CWIP asset should be capitalized or expensed, in accordance with existing personal property and/or real property guidance and not included in the cost of the CWIP asset.

Non-integral property and equipment meeting the \$200K capitalization threshold must be entered into the property system as both an inventory and financial asset, at its cost, and will be capitalized at its cost and depreciated over its useful life for financial reporting purposes. Non-integral property and equipment which meets the criteria of accountable property (costs do not meet the \$200K capitalization threshold) must be entered into the property system as an inventory asset and will be expensed at its cost for financial reporting purposes.

6.3 Cost Valuation

The FASAB's Standard No. 6 states that general PP&E items should be recorded at cost and based on traditional accounting theory, and reinforced by the FASAB in Standard No. 6, actual or historical cost is the preferred valuation methodology. For all CWIP projects completed under these policies and procedures, with the exception of "Capital Labor Costs" as defined in Section 6.1.1, there should be no reason that all costs cannot be based on actual amounts.

6.4 CWIP "Expensed" Costs

Specific examples of costs that should **not** be included in CWIP for capitalization, **but instead should be recorded as an expense**, include:

- planning activities not resulting in final design (a.k.a., research and development, etc.)
- ordinary administrative supplies (i.e., copy paper, office equipment, etc.)
- personal property equipment developed as prototypes "leading to development of specification" that will be used for purchase/production - these are "pre-design" costs
- demolition of Federal government-owned Real Property, for reasons other than those mentioned in Section 6.1.3, would be expensed. The Real Property Office should be notified in the planning stage of any potential demolition of a Federal government-owned building or structure for assistance in obtaining the proper approvals.
- personal property equipment constructed for Research and Development that is intended as experimental, changing product rather than as a finished product
- personal property equipment used for administrative support
- spare parts, not capitalized as part of the CWIP asset
 - Depending on the overall value of spare parts, consideration should be given to capitalizing the parts as operating materials and supplies (and expensing them as they are used). Regular counts of spare parts inventory should be considered as part of the quarterly Financial Statement and Stewardship Data Call, sent each quarter by the NOAA Comptroller.
- outfitting costs – outfitting costs of items that do not meet the \$200K capitalization threshold
 - individual outfitting costs that meet the \$200K capitalization threshold, with a useful life of two years or more, should be capitalized **separately** from the CWIP asset and depreciated over the appropriate useful life (see Section 6.6 for more information)
- non-integral property and equipment that does not meet the \$200K capitalization threshold

It should be noted that there are only a few circumstances in which ordinary administrative supplies, personal property equipment used for administrative support and actual incidental and administrative labor costs would be recorded as CWIP costs. For example, these costs for the Major Systems and Satellite acquisition programs would be captured as CWIP costs because these functions would not exist if these systems were not being procured. Additionally, accountable personal property may be delivered as part of the CWIP activity. This property must be tracked individually and separately in the personal property system as separate components of the major system – each must have its own unique personal property barcode identifier. The

value of this equipment will be recorded, but will not be confused with the cost of the CWIP asset being constructed and capitalized.

6.4.1 “Expensed” Labor Costs

Actual incidental and administrative labor costs (see Sec. 6.1.1 for a listing) represent an expense of the agency for work "performed as part of the normal course of business" insofar as these staff members perform these same type tasks irrespective of specific activities in the CWIP process.

6.5 Funding for Capital Improvements to Real Property

NOAA has received limited appropriations for real property and has adopted a methodology for determining which capital improvement activities will be funded each year based on a “priority categorization” for individual activities. This categorization is based on a descending order of priority for activities to:

- correct life safety deficiencies or legislatively-mandated repairs or actions
- major systems life-cycle replacement or repair
- modification or upgrade to reflect agency mission or program changes
- facility upgrade to industry standards

Prioritization dictates committing funds at the activity level versus the overall facility or site. This helps preclude situations where scarce resources are applied to low priority activities lumped into one allocation at a site while life safety concerns go unfunded at a separate location. Individual activity funds are requested independently and funded as discrete activities.

NOAA does occasionally simultaneously fund multiple activities at one site when allocating funds. Those activities may be developed and contracted for separately, but could be combined for the purpose of determining if the work at the site should be capitalized or expensed.

When multiple activities at a single facility are simultaneously funded, those activities will be grouped and the criteria for determining capitalization of improvements to real property will be applied to the aggregate of activities. If monies for additional activities at that site are provided after the initial allocation, those activities will be treated individually for determining capitalization and will not be added to the original effort and determination.

6.6 Other Related Capital Costs

Other related capital costs, which should be capitalized **separately** from the CWIP asset and depreciated over the appropriate useful life include:

- outfitting costs meeting the \$200K capitalization threshold with a useful life of two years or more
- material components of a CWIP asset expected to have a useful life materially less than that

of the CWIP asset and meet the \$200K capitalization threshold (i.e., non-integral property and equipment)

Property and equipment that is not integral to the CWIP asset should be treated according to its own nature and not be included in the cost of the CWIP asset. Non-integral property and equipment meeting the \$200K capitalization threshold must be entered into the property system as both an inventory and financial asset, at its cost, and will be capitalized at its cost and depreciated over its useful life for financial reporting purposes. Due to its very nature of not being built into a vessel, non-integral property and equipment is subject to conversion to personal use and has a high potential for theft. Therefore, it is imperative that it be properly bar-coded and entered into the property system. Examples of such items include, but are not limited to monitors, desk top and tower computers, printers, external disk drives, etc. For guidance on property questions, please contact the Real/Personal Property Offices.

6.7 Major New System Acquisitions

All new major systems normally go through three phases and several approval steps during the lifecycle of the major system. The three major phases are; the Pre-Systems Acquisition or Study phase, the Systems Acquisition phase, and the Sustainment phase. When the “new” activity reaches the systems acquisition phase then the “new” activity is classified as CWIP. The major phases in the lifecycle of new systems are described below:

Pre-Systems (Study) phase:

Project requirements are identified and defined. System concepts and specifications are developed in order to meet the user’s requirement needs. Acquisition planning is developed in order to procure the system in the most efficient and economical way possible.

Acquisition phase:

*****CWIP begins*****

The work efforts that occur in this phase are the integration of demonstrated subsystems and components, and the demonstration of engineering models, (also called the validation of the proof of the concept phase). Upon successful validation of the proof of concept, full scale production/implementation of the new system(s) will begin.

Sustainment phase:

In this phase, fully developed systems are used, maintained, and ultimately disposed of after reaching the end of their life expectancy.

7.0 Budget Operation Plans

The level at which most Budget Operating Plans (BOPs) will be prepared in CBS will be at the program level, by FMC, by quarter and by object class. The program level in CBS reflects the lowest level at which allotments are made in CBS. Since a CBS program can include a number of related CBS project codes, both CWIP and Non-CWIP, no distinction is needed in the BOP for planning for CWIP activities.

8.0 CWIP Activities Funded by Reimbursables

For construction/development activities funded by reimbursable funding, either internal or external to NOAA, will be included in the total value of the construction/development activity if the activity falls within the conditions discussed in this section.

Some construction/development activities are funded by both direct/appropriated and reimbursable money. Amounts for the construction/development activities funded by appropriated money should be tracked according to these CWIP policies and procedures, including cost reconciliations, NF 37-6 capitalization forms, etc. Amounts for the construction/development activities funded by the internal reimbursable funds should also be tracked in detail and supported in an audit.

8.1 Reimbursables External to NOAA

For construction/development activities funded by reimbursable funding external to NOAA, the costs will be included in the total value of the construction/development activity only if the Memorandum of Understanding (MOU) transfers or identifies the asset as belonging to NOAA at the end of the construction activity. The reimbursable project codes should be setup and accounted for as reimbursables so NOAA's reimbursable activity and data is accurately reflected on NOAA's financial reports. At the end of the construction/development activity, the portion of the CWIP asset funded by the reimbursable sponsor (i.e., Airforce, Navy, NASA, etc.) should be "transferred" to NOAA, if NOAA plans to own the constructed asset at the end of the CWIP construction activity.

At the beginning of the construction/development activity, the LO entering into the agreement with the outside source or reimbursable sponsor, is responsible for informing the sponsor that they should be recording the funds, contributed to NOAA through reimbursable funding, as CWIP (SGL account 1720) on their CFO-Act financial statements until the asset is constructed and transferred to NOAA. If the sponsor agency recorded the funded amounts for the construction/development activity as expense, instead of CWIP, the amounts would be inaccurately reflected on the government-wide financial statements – assets would be understated.

Summary Level Transfers (SLTs) should **not** be entered to transfer the costs from the reimbursable project codes to the CWIP project codes – by adjusting the amounts to the operational direct accounts would understate NOAA's reimbursable activity and reduce NOAA's appropriated amounts for the construction/development activities, which would be incorrect.

CWIP Activity Managers should track the CWIP costs funded by reimbursable money on monthly CWIP reconciliations to ensure full cost accounting once the activity has been completed. The reimbursable amounts associated with the construction/development activities should be tracked separately – the normal CWIP reconciliation spreadsheet should **not** be used. By using the normal CWIP reconciliation, a “difference” in column “F” would show, which

would give the appearance that an adjustment is needed, when one is not.

When the construction/development activities are completed and the NF 37-6 is prepared, the CWIP Activity Manager must include the NOAA-appropriated portion, the CWIP project codes, on the NF 37-6, as well as the "transferred-in" portion from the reimbursable sponsor. The NF 37-6 must show separately, the funding contributed by each agency. Once a CFO-certified NF 37-6 has been received by the FO, a journal entry is recorded in CBS to reclassify NOAA's portion of the activity from CWIP to a capitalized property account. The portion of the activity contributed by the other government agency (the reimbursable portion) is recorded as a "transfer in" of CWIP activity (SGL Account 1720) to NOAA and subsequently reclassified from CWIP to a capitalized property account.

OCAO's Real/Personal Property Offices must enter the total amount, NOAA-appropriated portion plus the reimbursable portion of the capitalized CWIP asset into the property system and depreciate if the construction/development activities were transferred to NOAA at completion of the activity.

8.2 Reimbursables Internal to NOAA

NOAA Finance representatives have determined that it is not feasible to post in any reimbursable funds, construction/development activities as CWIP. However, these related construction/development activity costs should remain in reimbursable project codes and are not required to follow a CWIP project code structure. For construction/development activities funded by quasi-reimbursable revenues internal to NOAA, such as the Asset Forfeiture Fund and Inspection and Grading activities, the costs associated with the construction/development activities should be tracked in their respective reimbursable project codes by the CWIP Activity Manager.

SLTs should not be prepared/entered to move costs from the reimbursable funded portion to appropriated funds, as this would result in the use of appropriated funding for construction/development activities funded by internal quasi-reimbursable revenues.

At the end of the internal reimbursable sponsored construction/development activity, the completed asset should be entered into Sunflower, along with any associated appropriated portions of the overall construction/development activity. The asset should be entered into Sunflower as a straight "add" using the reimbursable project code as the acquisition code. However, for entry into the Sunflower property system, the CWIP Activity Manager should identify a non-reimbursable project code (a direct project code) for depreciation purposes, as NOAA does not depreciate assets in reimbursable funds.

9.0 Documentation Requirements

CWIP Activity Managers must maintain adequate supporting documentation (a.k.a., the “CWIP Documentation File”), as identified in these policies and procedures. Two files of documentation should be maintained – one for the CWIP Activity Manager and one to be provided to the appropriate Real/Personal Property Officer upon completion of the CWIP activity. One set of necessary supporting documentation for any amounts summarized for capitalization on the NF 37-6 should be forwarded upon completion of the CWIP activities so that the Property Officer can review and certify the supporting documentation and costs included in CWIP amounts prior to entry into the property system.

Completion of the NF 37-6 (Appendix I) is required and must be forwarded to the FO-FSB. Completed CWIP activities must be reported on the NF 37-6 **in the calendar quarter in which they are accepted or placed in service (delivered, occupied, commissioned, etc.)**. The final NF 37-6 is required to be executed at activity completion. The NF 37-6 summarizes costs to be capitalized and is used as the basis for the asset value entered into the PP&E portion of the general ledger and the property systems.

It is the responsibility of the CWIP Activity Manager to maintain adequate supporting documentation for all costs included in the CWIP activities for proper cost valuation of the asset. It is also the responsibility of the CWIP Activity Manager to forward copies of supporting documentation (reports, etc.) to the appropriate Real/Personal Property Officer for review, along with the NF 37-6 for entry into the appropriate property system.

The CWIP documentation file must contain adequate supporting documentation for proper cost valuation of the asset. The CWIP Activity Manager must obtain copies of, or have access to, the source documents for any costs included on the monthly CWIP reconciliations and the NF 37-6, and the CWIP documentation file should include, but is not limited to:

- CWIP Determination Letter indicating the Project Manager’s findings
- BOD Letter
- required annual SLTs for incidental and administrative costs
- CBS CWIP Report (CA500D) and other related CBS accounting reports, organized by project code and agreeing to the dollar amounts by project code reported on the NF 37-6
- hard copies of invoices to support the dollar amounts reported on the NF 37-6
- reviewed/verified/certified CBS labor reports documenting direct labor costs
- reviewed/verified/certified CBS cost reports
- copies of construction or production contract (including the Statement of Work), copies of CBS bankcard statements, all modifications and both partial and final invoices
- copies of travel vouchers for inspections or design review (only for activities involving NOAA staffed, in-house designs)
- copies of architectural and engineering contract task orders (including the Statement of Work) and related invoices

- bills of lading for transportation charges
- copies of contracts for construction management services (including the Statement of Work) and related invoices
- copies of billing for space charges for storage costs for Government Funded Equipment (GFE) delivered prior to the installation date
- copies of invoices for duplicating drawings and specifications for final design
- copies of purchase orders, Receipt and Inspection Reports and related invoices for materials purchased for in-house construction
- CD-509 “Property Transaction Report” for personal property construction signed by the property custodian
- CWIP spreadsheet or planning document as a cost and documentation checklist
- documentation related to CWIP activities transferred to NOAA through reimbursable funding or outright transfers/donations
- standard Data Warehouse (DW) Discoverer Query (FMC Business Area) results for CWIP activities, by project code
- completed Checklist of Required Supporting Documentation ([http://www.pps.noaa.gov/New_menu/ Documentation%20 Checklist.html](http://www.pps.noaa.gov/New_menu/Documentation%20Checklist.html))

All copies of contract awards must include the accompanying Statement of Work.

Although the policy calls for the proper supporting documentation of the costs to be maintained by the CWIP Activity Manager, it recognizes that, on occasion, copies of documents may not have been included in the CWIP documentation file. In these cases, since the document number for the missing item exists in CBS, this will allow the source document in the servicing FO payment office to be obtained by the CWIP Activity Manager, if needed. However, **the OCAO Real/Personal Property Offices require all supporting documentation for its annual financial audit purposes.**

10.0 Transferring Assets from CWIP to PP&E

PP&E shall be recorded as CWIP until:

- NOAA has established “Beneficial Occupancy” of real property (the Beneficial Occupancy Date (BOD), shall be used as the “acquisition date” for purposes of depreciation)
 - BOD acceptance and accepted delivery take precedence over whether the asset is paid/unpaid
- Personal property is ready for its intended purpose and date placed into service. However, if circumstances dictate that the property is not placed into service immediately, nevertheless, if it is has been delivered and is ready to be used, its CWIP status ends.

NOTE – “Acceptance” means that NOAA has agreed that the activity is substantially completed according to specifications. In the case of satellites, it suggests the satellite has been declared operational; in the case of vessels, the acceptance date is the commissioning date.

Completed CWIP activities must be reported on the NF 37-6 in the calendar quarter in which they are delivered or placed into service (accepted, occupied, commissioned or operational).

The constructed asset costs will be transferred from a CWIP status to general PP&E on the effective acceptance date, BOD, or the date the satellite or vessel is declared operational by using the NOAA uses the NF 37-6, “Report of Property Constructed.”

To initiate the transfer, the CWIP Activity Manager will send an electronic copy of the NF 37-6, with all appropriate signatures/certifications (CFO/CAO/Deputy CAO), to the FO-FSB for review, acceptance and certification. The FO-FSB certifies the depreciation project code is valid and active, and that CWIP costs on the NF 37-6 do not exceed the current CBS CWIP CA500D Report for “Uncapitalized Costs” – the FO-FSB is not certifying the CWIP documentation file or the accuracy of the costs charged to and included in the CWIP activities. Once the FO-FSB has accepted and certified the NF 37-6, the NF 37-6 is sent, in electronic format, to the CWIP Activity Manager and the appropriate Real or Personal Property Officer. Upon receipt of the certified electronic NF 37-6 from the FO-FSB, the CWIP Activity Manager will send the CWIP documentation file, **with documentation supporting the costs summarized on the NF 37-6**, to the appropriate Real or Personal Property Officer. After the Real or Personal Property Officer reviews the CWIP documentation file and the NF 37-6, they must accept and certify the NF 37-6 that they agree with the accuracy of the costs included in CWIP to be transferred and the CWIP supporting documentation. Once NF 37-6 is received back in the FO-FSB, with all required certifications, an adjusting entry is entered into CBS moving the amounts from CWIP to PP&E, along with associated depreciation amounts. **(NOTE – no adjustments will be made by FO-FSB for NF 37-6s that do not have all the required certifications.)**

The CWIP Activity Manager must ensure the NF 37-6 is completed and transferred **immediately** to the FO-FSB once a constructed asset is placed into service or delivered (accepted, occupied, commissioned or operational). If the CWIP Activity Manager requires time to close the CWIP

contracts, a preliminary NF 37-6 should be completed and submitted to the FO-FSB for review and acceptance. A final NF 37-6 should be completed once all contracts are closed and finalized and any cost adjustment should be recorded. (See Appendix F “CWIP Processing Flow & Responsibilities (for Real and Personal Property)”). The FO-FSB will distribute an e-mail notification when the NF 37-6 is posted to CBS and to the CBS CWIP Report (CA500D). The recipients will be the CWIP Activity Manager and the applicable Real/Personal Property Office.

11.0 Incomplete/Impaired CWIP

FASB FAS No. 144 defines impairment as “the condition that exists when the carrying amount of a long-lived asset (asset group) exceeds its fair value.” FASB states that an impairment loss shall be recognized only if the net book value of a long-lived asset is not recoverable and exceeds its fair value. If an impairment loss is recognized, the adjusted net book value of a long-lived asset shall be its new cost basis.

To determine if an impairment situation has occurred, CWIP Project Managers and/or CWIP Activity Managers must prepare a formal analysis, **on an annual basis**, for all open real and personal property CWIP activities, to determine if the CWIP activity is viable or likely to be completed. If it is determined that the activity will never be completed or has become non-viable, or specific elements of the activity have become non-viable, the CWIP Activity Manager must notify the FO-FSB, via the Financial Statement and Stewardship Data Call, sent each quarter by the NOAA Comptroller. For CWIP assets that have impairment amounts, accumulated CWIP costs may be reduced by the FO-FSB, via an adjusting entry into CBS, to permanently reduce the CWIP asset cost basis and reflect expected net realized value and recognize impairment losses (if any).

Additional information relating to the FAS No.144 and its executive summary can be found in Appendix L of the CWIP Policy and Procedures.

12.0 Advances/Prepayments for CWIP

NOAA advances or prepays amounts to other government agencies for CWIP activities (i.e., Navy, etc.). When amounts are advanced or prepaid, the CWIP Activity Manager has the responsibility to ensure that amounts are allocated correctly and charged using the correct CWIP or related non-CWIP project codes. Furthermore, on a quarterly basis, **the CWIP Activity Manager must identify the amount of funds advanced/prepaid versus the amount of work completed to date and prepare a spreadsheet** identifying each project code with advanced/prepaid funds for CWIP activities and the amount of advanced/prepaid funds that have been completed, identified by CWIP and related non-CWIP project code.

The CWIP Activity Manager must notify and submit the required spreadsheet to the FO-FSB, via the quarterly Financial Statement and Stewardship Data Call, sent each quarter by the NOAA Comptroller, so that the FO-FSB can enter an adjusting entry into CBS for quarterly financial statement reporting. On non-quarter months, the CBS CWIP Report (CA500D) will reflect all amounts advanced/prepaid using CWIP project codes; on quarter months, amounts identified as “advanced or prepaid” using CWIP project codes will temporarily not be reflected in the CBS CWIP Report (CA500D) until the FO-FSB’s temporary adjusting entry has reversed in the subsequent month or general ledger period.

See Appendix P “Advanced/Prepaid Amounts for CWIP Activities” for an example of the required quarterly spreadsheet for amounts advanced or prepaid versus completed relating to CWIP activities.

13.0 Internal Use Software in Development

Internal Use Software – in Development (IUSD) is a personal property function and responsibilities for developing policies and procedures for capitalization of Internal Use Software are shared by the OCAO Personal Property Office, NOAA Chief Information Office (CIO) and the FO.

IUSD is a temporary holding account (SGL Account 1832), a sub-set of CWIP, for collecting costs during activities related to the design and development of software to be used internally. **Any developed software, including enhancements, which will be capitalized and used internally, must follow the CWIP policy and procedures documentation.** In order to be considered an IUSD activity, a development project must meet all of the criteria in Section 2.0.

The costs remain in the IUSD account until the software has been constructively delivered and accepted by NOAA.

Any developed software, including enhancements, to be used internally, which will be completed and eventually depreciated in NOAA's financial statements, must follow the CWIP policy and procedures guidance.

Guidance for determining and recording the value of internal use software can be found on NOAA's FO website (<http://www.corporateservices.noaa.gov/~finance/Finance%20Handbook.htm>) as part of the NOAA Finance Handbook; however, guidance for developed software that will be used internally can be found in this document, the CWIP Policy and Procedures.

14.0 NOAA CWIP Contacts

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