

APPENDIX F

CWIP Processing Flow and Responsibilities (for Real and Personal Property)

The following steps list the process flow and associated responsibilities of the CWIP stakeholders in the processing of CWIP costs. The steps are categorized into the three major phases of the CWIP process:

- Activity Planning Phase
- Actions Taken During Actual Construction Phase
- Completing the Activity Phase

CWIP Activity Managers are required to complete CWIP reconciliations monthly for all open CWIP activities. This document provides detailed guidance on preparation of the required monthly CWIP reconciliations.

Activity Planning Phase

- The establishment of a CWIP activity is the responsibility of the Financial Management Center (FMC) and Line/Staff Office (L/SO) management. Once established, a CWIP Activity Manager is appointed to the activity, sets up a unique CWIP project code, and a CWIP documentation file.
- The CWIP Activity Manager provides the NOAA Finance Office's Financial Statements Branch (FO-FSB) with information on the CWIP activity (manager's name, email address, project title, estimated costs, etc.) as required on the Request to Add or Modify a CWIP Activity form (see Appendix S.2). The FO-FSB enters the activity information into an internally established and maintained database, the CWIP Activity Database, and generates reports from the database that are posted to the CWIP website monthly.
- The M&B Chiefs plan the CWIP activities in a manner similar to other directly funded activities using CBS Budget Operating Plans (FM066 screen). Any CWIP activities funded jointly by NOAA and one or more agencies should have a Memorandum of Understanding (MOU), clearly defining ownership of the asset and at what point the asset will be capitalized.

Actions Taken During Actual Construction Phase

- The CWIP Activity Manager must capture all costs (capital and expense) and maintain documentation for the life of the asset. The amount of costs relating to the CWIP activity is recorded and reported by the FO-FSB in a manner similar to any other obligated data in CBS.
- The CWIP Activity Manager is responsible for performing **monthly** independent verifications of balances on the CBS CWIP Report (CA500D).
- The cost data is also reflected on the CBS CWIP Report (CA500D) and will remain on this report until the construction costs are fully capitalized and both the undelivered orders and the uncapitalized costs are reduced to zero. The FO-FSB must ensure that the total of the "Uncapitalized Cost" on the CBS CWIP Report (CA500D) agrees with the corresponding general ledger CWIP account balance (SGL Account 1720).
- At the end of each general ledger reporting month, the CWIP Activity Manager must prepare a reconciliation of their Uncapitalized Cost balances, by project code, as they appear on the CBS CWIP Report (CA500D). A separate reconciliation template is required for each

distinct CWIP activity under construction. Upon completion, the monthly reconciliation(s) is/are forwarded to the L/SO CFO/M&B Chief or the CAO (Deputy CAO), if the CWIP Activity Manager is OCAO-designated, for approval and signature. (See Appendix O for more information on the reconciliations).

- After the L/SO CFO/M&B Chief or the CAO (Deputy CAO), if the CWIP Activity Manager is OCAO-designated, has approved the reconciliation(s), scanned electronic copies of the reconciliations, as well as an Excel version, should be forwarded to the FO-FSB. (Faxed copies of the reconciliations are no longer accepted by the FO-FSB.) The FO-FSB will examine the reconciliation(s) to determine if any adjustments are needed to the balances on the CBS CWIP Report (CA500D), and accordingly adjust the NOAA general ledger and financial statements for reported corrections.

Completing the Activity Phase

- The CWIP Activity Manager should notify the FO-FSB of changes to the CWIP activity's completion date or estimated total cost.
- Approximately 30 days prior to acceptance or beneficial occupancy of the completed CWIP activity, the CWIP Activity Manager must review the CBS CWIP Report (CA500D) to verify the completeness and validity of the activity's costs accrued **by project code**. The CWIP Activity Manager must complete and submit SLTs to the FO for all non-capital expenses, and other adjustments, as necessary (see Appendix H).
- Upon acceptance of the completed CWIP activity, the CWIP Activity Manager must complete the NF 37-6, **based on the timeline detailed in Section 10.0 of the CWIP Policy and Procedures**, to transfer from CWIP to the appropriate asset account for depreciation (see Appendix I).
 - If all expected resources for the completed asset do not appear as Costs, in the Cost column of the CBS CWIP Report (CA500D), by project code, by the date the NF 37-6 is completed, the CWIP Activity Manager is required to submit a preliminary NF 37-6. At a later date, when the additionally applied resources appear in the Cost column of the CBS CWIP Report (CA500D), a subsequent or final NF 37-6 must be submitted to the FO-FSB and the RPMD/PPMB, to update the final cost of the completed asset.
 - NOTE: Undelivered orders and other CWIP resources that should be capitalized, but do not appear in the Cost column of the latest CBS CWIP Report (CA500D), can be re-characterized as costs, when the completed asset is accepted (to minimize the need to submit a preliminary NF 37-6 and subsequent NF 37-6). This re-characterization is accomplished by submitting a request to accrue amounts in undelivered order status.
- After obtaining the appropriate certifications within the L/SO, the CWIP Activity Manager must e-mail a copy of the NF 37-6 (in PDF format) to Jones Harbor at Jones.Harbor@noaa.gov, located in the FO-FSB. **Completed CWIP activities must be reported on the NF 37-6 according to the timeline detailed in Section 10.0 of the CWIP Policy and Procedures.**
- Upon receiving the NF 37-6, the FO-FSB will review the submission for clerical accuracy and project code activation. The FO-FSB will "crosswalk" the accrued costs on the NF 37-6, by project codes, to the **current** CBS CWIP Report (CA500D) to ensure amounts do not exceed current balances in the CBS CWIP Report (CA500D). If insufficient "Uncapitalized Costs" exist on the CBS CWIP Report (CA500D), the FO-FSB will **not accept or certify** the

NF 37-6 and will return to the CWIP Activity Manager for correction. The FO-FSB's review does **not** include reviewing the CWIP documentation file or certifying the accuracy of the costs charged to and included in the CWIP activity. This is the **responsibility of and part of the certification by the RPMD/PPMB** during their review of the NF 37-6 and CWIP Documentation File prior to entering the CWIP asset into the property systems. **NOTE** – only accepted and approved NF 37-6s will be entered as “received” in the FO-FSB tracking log for audit purposes.

- If it is subsequently determined that a balance in the “Uncapitalized Cost” column on the CBS CWIP Report (CA500D) other than \$0, is due to incorrect costs reported on the NF 37-6, the CWIP Activity Manager must submit a revised NF 37-6 to the FO-FSB.
- Once all requirements are met, the FO-FSB accepts and certifies, by signature, the NF 37-6. The FO-FSB emails a scanned copy of the NF37-6 to the CWIP Activity Manager and a copy is emailed to the RPMD/PPMB representative. Upon receipt of the electronic certified NF 37-6 from the FO-FSB, the CWIP Activity Manager will attach the required supporting documentation to the NF 37-6. For personal property assets, the CWIP Activity Manager will coordinate with the appropriate Property Custodian to complete the related CD-509(s). The CWIP Activity Manager will provide the certified NF 37-6 and related supporting documentation to the RPMD/PPMB representative for review/certification.
 - The supporting CWIP documentation files sent to the RPMD/PPMB must contain sufficient evidence and documentation to support all the costs summarized on the NF 37-6. The CWIP documentation file must include the accepted and certified NF 37-6 from the FO-FSB.
- The RPMD/PPMB will review the NF 37-6 and related CWIP documentation file for completeness and accuracy, ensuring amounts included in CWIP were accurately included and should not have been expensed. **Incomplete files will be returned**, along with the NF 37-6, to the CWIP Activity Manager for correction. If all information is complete in the file, the property office will annotate the NF 37-6 to indicate data entry to the appropriate property system. The property office must record the same value in the property system as that accepted by the FO-FSB CWIP accountant.
- Once the NF 37-6, the CD-509 (for personal property assets only), and related supporting documentation are reviewed and accepted by the RPMD/ PPMB, the asset is entered in the appropriate property system and depreciation begins. The PMO then certifies/signs the NF 37-6 that they agree with the accuracy of the costs included in CWIP to be transferred and the CWIP supporting documentation. The RPMD/PPMB then scans and emails a completed copy of the NF 37-6 to the FO-FSB and to the CWIP Activity Manager.
 - **NOTE**
 - **The RPMD/PPMB must not include, in any of the property reports or property systems, any capitalized CWIP amounts submitted on NF 37-6s that do not have all the required signatures and certifications – all certifications must be obtained first.**
 - **The FO-FSB will not adjust CBS for any capitalized CWIP amounts submitted on NF 37-6s that do not have all the required signatures and certifications – all certifications must be obtained first.**

CWIP Reconciliation Process

CWIP Activity Managers must exercise keen financial oversight of their CWIP activities, as reported on the CBS CWIP Report (CA500D), because NOAA's CWIP balance is a focal point

of the annual financial statement audit. CWIP comprises a substantial portion of NOAA's total PP&E. **Thus CWIP Activity Managers must maintain diligent oversight of their CWIP activities as reported on the CBS CWIP Report (CA500D) and must adhere to NOAA's CWIP policy and procedures.**

CBS CWIP Report (CA500D)

- Reliable and valid CWIP balances can only be achieved if they are regularly monitored and reconciled to NOAA's subsidiary record for CWIP – the CBS CWIP Report (CA500D). This is a responsibility of CWIP Activity Managers over their assigned CWIP activities.
- The CWIP balance reported on NOAA's financial statements is the "Uncapitalized Cost" column on the CBS CWIP Report (CA500D), plus or minus on-top adjusting entries at the end of the reporting period by the FO-FSB. **Therefore, verification of the "Uncapitalized Cost" column is the objective and focus of the required monthly CWIP reconciliations performed by the CWIP Activity Managers.**
- The "Undelivered Orders" (UDOs) column on the CBS CWIP Report (CA500D) must be excluded when calculating uncapitalized costs because UDOs represent goods and services that have not yet been delivered (received), and therefore, do not meet the criteria of an asset for financial statement reporting.
- The "Capitalized Cost" column on the CBS CWIP Report (CA500D) is adjusted when the FO-FSB enters a NF 37-6 into CBS. The FO-FSB is the only organization that can make changes to the "Capitalized Cost" column of the CBS CWIP Report (CA500D). The NF 37-6 is not entered into CBS until all the appropriate signatures and certifications are received on the NF37-6 and it is returned to FO-FSB by the RPMD/PPMB.

For more information on the CBS CWIP Report (CA500D), please refer to Appendix N "Understanding the CBS CWIP Report (CA500D)."

Frequency of CWIP Reconciliations

- Each CWIP Activity Manager must complete and submit **monthly** CWIP reconciliations using the standard CWIP Reconciliation Template for NOAA CWIP activities (see Appendix I for related NF 37-6 information and templates). Once the CWIP Activity Manager completes the monthly CWIP reconciliation for each CWIP activity and project code, the reconciliation must be forwarded to the L/SO CFO/M&B Chief or CAO (Deputy CAO), if the CWIP Activity Manager is OCAO-designated, for approval/signature. The L/SO CFO/M&B Chief or CAO (Deputy CAO), if the CWIP Activity Manager is OCAO-designated, is responsible for forwarding the approved/signed CWIP reconciliation(s) to the FO-FSB by the established monthly due dates distributed (see Appendix O).
- A CWIP Reconciliation Template exists to help CWIP Activity Managers validate the "Uncapitalized Cost" balances reported for their activities on the CBS CWIP Report (CA500D). The template and its instructions can be found in Appendix O and downloaded from the NOAA CWIP website.
- CWIP Activity Managers are required to correct the CBS CWIP Report (CA500D) for "Reconciling Adjustments" identified on their monthly CWIP reconciliations no later than four (4) weeks after the CWIP reconciliation is submitted to their L/SO CFO/M&B Chief or CAO (Deputy CAO), if the CWIP Activity Manager is OCAO-designated, and the FO-FSB.

- The CBS CWIP Report (CA500D) functions as NOAA's official subsidiary ledger for CWIP costs. If the report goes uncorrected, control weaknesses can be created over the completeness and reliability of the CWIP costs that are reported on NOAA's financial statements. Therefore, any differences cited in the CWIP Reconciliation Template must be corrected.