

APPENDIX A

Policy and Procedures for Reporting Construction-Work-In-Progress and Capitalization of GOES & POES Satellites, Their Component Sensors, and Related Assets

POLICY.

All construction-work-in-progress (CWIP) and capitalization requirements that apply to personal property shall also apply the Geostationary and Polar Orbiting satellites unless this policy provides otherwise.

RESPONSIBILITIES.

The National Environmental Satellite, Data, and Information Service (NESDIS) is responsible for the determination of proper costs to be recorded for CWIP and capitalization of satellites. They are also responsible for calculating the amount of CWIP to be capitalized for each satellite and maintaining the proper CWIP documentation to support audit requirements.

PROCEDURES.

For FY 1996 and Prior.

1. As of September 30, 1996, NESDIS and the now defunct Systems Acquisition Office (SAO) estimated the total projected costs to be capitalized for spacecraft, Satellite Operations Control Center (SOCC) testing, NASA technical management, NOAA technical management, SAO program management, launch services, and systems development for the satellite program. They then estimated the cost of each satellite by prorating the total projected costs (using the Presidents Budget) over the number of satellites in the program. This estimate provided the basis for capitalization amounts for operational satellites in the program.

NOTE: Accumulation of capitalized costs will terminate when a satellite is declared operational.

2. NESDIS and SAO forwarded the information needed to properly capitalize the operational satellites (including the acceptance date and estimated useful life of the satellite) to the NOAA property office so the satellites could be entered into the property system.
3. NESDIS and SAO prepared a documented schedule of satellite costs (including those mentioned in 1 above) that have accumulated from the start of the program until September 30, 1996. The total of the schedule less the amount of costs capitalized from above will then provide the CWIP amount.

For FY 1997 and Beyond.

1. Capitalization

- a. NESDIS and SAO will estimate the total projected costs to be capitalized for the satellite program (using the Current President's Budget) and prorate them (less the costs already capitalized) over the number of satellites in the program (by series) as of the beginning of the fiscal year. This will provide the capitalization amount for the satellites that will become operational during the year. The projected capitalizable costs may differ from year to year. When a difference does occur, prior year capitalizations will not be adjusted.
- b. As each new satellite is officially declared operational by NESDIS, NESDIS and SAO will provide the capitalization costs to the property office so the satellite(s) can be entered into the property system and depreciation recorded.
- c. The last satellite in a series will be capitalized in the same manner as the first. The capitalized amount of the last satellite in a series will be adjusted when all costs can be accounted for in the series. This procedure is necessary because the cost of the last satellite in a series of satellites will not be known until all cost documentation is received. When the last satellite is declared to be operational, then accruals will be processed to move all remaining undelivered orders to a CWIP cost.

NOTE: Accumulation of capitalized costs will terminate when a satellite is declared operational.

2. Construction-Work-In-Process (CWIP)

- a. As of the end of each fiscal year, NESDIS and SAO will prepare a schedule of total costs for spacecraft, satellite operations control center testing, NASA technical management, NOAA technical management, SAO program management, launch services, and systems development of the satellite program incurred during that period against the satellite program (by series).
- b. The total costs will be determined by including the obligations to date for those items contained in 2a. above which are supported by documents maintained in NESDIS and SAO, less the total current undelivered orders from the fiscal year end Quarterly Document Status Report, less the cost of satellites already capitalized.
- c. At the end of each year, NESDIS and SAO will obtain information relating to the status of all non-operational satellites (i.e., percentage complete and estimated cost) from NASA. The value of the percentage complete will be compared to the recorded CWIP to insure that CWIP includes the value of contract construction that is complete, but not billed. This data will be provided to OFA2, and adjustment(s) will be made, if necessary.