

INDIAN AFFAIRS ASSETS UNDER CONSTRUCTION ACCOUNTING MANAGEMENT HANDBOOK

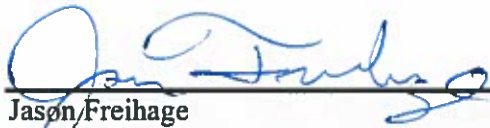
27 IAM 15-H



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FOREWORD

This handbook documents the procedures required to implement the Indian Affairs (IA) Financial Management Assets under Construction Accounting Management policy, 27 IAM 15, and incorporates additional guidance provided by the Department of the Interior (DOI). It supersedes "Assets Under Construction Accounting Management Handbook," issued 6/12/17, and all policies and procedures related to assets under construction accounting management that may have been created and/or distributed throughout IA previously.



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Date

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CHAPTER 1 INTRODUCTION

PURPOSE

The purpose of this handbook is to:

1. Explain the Asset under Construction (AUC) accounting policies and procedures.
2. Ensure AUC accounting policies and procedures are consistently executed.
3. Strengthen internal controls for construction project accounting by:
 - a. Monitoring the status of ongoing construction projects;
 - b. Tracking the project progress completion percentage;
 - c. Determining the Advance 1410 General Ledger (GL) balance for construction projects;
 - d. Maintaining Project Fund Controls;
 - e. Ensuring timely reconciliations of projects; and
 - f. Performing management review.
4. Ensure timely transfer of completed construction projects to a capital asset accounts.

This handbook is the companion to the Indian Affairs policy 27 IAM 15: Assets under Construction Accounting Management.

BACKGROUND

All construction projects begin with the annual budget process. Once a construction project is budgeted, reporting construction cost data in a timely, accurate and consistent method is critical to the Indian Affairs' (IA) ability to justify annual construction budget funding requests. The AUC process directly interfaces with several other bureau business processes such as the Project Budget Allocation, Project Fund Control, Capital Planning and Investment Control (CPIC), the organizations' GL, and Public Law (P.L.) 93-638 (638 contracts) and P.L.100-297 (297 grants) construction projects.

The IA programs typically involved in construction are: Education, Public Safety and Justice, Forestry, Transportation, Environmental, Division of Water and Power (DWP) and Division of Facilities Management and Construction (DFMC).

RESPONSIBILITIES

Proper accounting of IA construction projects is highly dependent on the collaboration and cooperation of Federal and Tribal stakeholders.

The Office of the Chief Financial Officer (OCFO), Division of Financial Reporting and Analysis (FRA), DFMC and DWP are responsible for providing guidance and training on construction accounting processes and coordinating with all stakeholders, including property management and program management involved in the construction projects.

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Below are the various roles and responsibilities in the AUC process:

Office/Position	Responsibilities
Program Management Office (mainly DWP or DFMC)	<ul style="list-style-type: none"> • Approves annual construction budget; • Designates a Project Manager (PM); • Obtains tribal resolution(s) for asset(s) ownership determination; • Provides start & end dates for milestones and work breakdown structures (WBS); • Identifies the project name; • Provides a project description; • Provides the project location(s); and • Submits WBS request form and ensure that WBS corresponds with the appropriate project.
FRA	<ul style="list-style-type: none"> • Creates the WBS number(s) in the Financial and Business Management System (FBMS); • Runs extract reports and create Construction and Progress Evaluation Reports (CAPERs); • Enters completed assets in FBMS; • Processes Completed Project Journal Voucher(s) and Advance Journal Voucher(s); and • Creates quarterly risk analysis sheet.
Project Manager	<ul style="list-style-type: none"> • Monitors project to completion; • Reports project status to Program Management Office and FRA; • Verifies project costs; and • Completes FBMS Asset Update Report (CIP-005 Report).
Regional Property Managers (RPO)	<ul style="list-style-type: none"> • Review CIP-005 for accuracy in assets created. • Coordinates with Program Management Office, Project Managers, and Tribal officials in establishing asset attributes.
Division of Property Management (DPM)	<ul style="list-style-type: none"> • Reviews and signs the completed CIP-005 Report; • Completes asset master record; and • Establishes property record with the Regional Property Officer (RPO).

CHAPTER 2 ASSETS UNDER CONSTRUCTION

Assets under Construction (AUC) are property, plant and equipment that are constructed, replaced, or added by IA. AUC are also known as Construction in Progress (CIP). The terms AUC and CIP are synonymous for the purposes of this handbook and corresponding IAM chapter (27 IAM 15). To be included in the AUC account GL 1720 the property, plant or equipment must:

- Be part of a current construction project;
- Meet the capitalization threshold of \$100,000.
- Have a useful life of over two (2) years;
- Must not be intended for sale; and
- Be constructed with the intent of being used, or is available for use by the IA.

AUC can include new or replacement construction, betterments, capital improvements, and renovations. If upon completion of the asset the final cost does not meet the capitalization criteria, then the asset should be expensed rather than capitalized. The non-capitalized asset will be expensed during the transfer process and picked up on IA’s inventory as accountable property.

AUC includes all costs incurred to bring an asset to its intended use, including direct labor, direct material, overhead, and other costs incurred during construction. Capitalized values of assets constructed by IA (i.e., the total cost to IA) must include all costs paid for the property, the value of other assets surrendered in order to obtain the property and all other costs incurred to bring the real property to a form and location suitable for its intended use. The cost of demolishing an asset is included in the costs of constructing the new asset if demolition is necessary for the new construction.

AUC projects and costs are reported in the Project Actual Cost Line Items Report (CJI3 Report). The total costs captured in the CJI3 Report should equal the amount in the AUC GL account 1720.

If a construction project meets the stated AUC criteria, the construction costs will be accumulated in the AUC GL account 1720 until the asset is determined to be substantially complete (see Definitions section).

Upon completion, capitalized construction costs are transferred from GL 1720 to the appropriate property capital asset GL accounts, as indicated below. **Note:** For internal developed software costs, the appropriate GL accounts are 1830 (Internal Use Software) and 1832 (Internal Use Software in Development).

Property Capital Asset GL Accounts	
Account No.	Account Name
1712	Land Improvements

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1730	Buildings
1740	Other Structures and Facilities
Internal Developed Software Costs GL Accounts	
Account No.	Account Name
1830	Internal Use Software
1832	Internal Use Software in Development

TYPES OF ASSETS UNDER CONSTRUCTION

IA is required to account for AUC costs of assets constructed by or for Federal entities. Assets constructed for Department of the Interior (DOI) bureaus are normally recognized as AUC on the books of the constructing bureau until completion. Upon completion, the asset is transferred from the AUC of the constructing bureau and is captured in the property records of the bureau taking ownership.

Routine maintenance and repairs are expenditures that maintain the existing condition of an asset or restore it to normal operating efficiency. Routine maintenance and repairs are excluded from AUC project accounting criteria, regardless of cost, unless the expenditure improves or extends the life of the asset. For example, an entire roof replacement, regardless of a change in pitch, is considered an improvement because it extends the life of the asset, but simply patching a small hole or leak is considered routine maintenance.

Collateral or Installed Equipment

Collateral or installed equipment is included in the value of a project when determining whether the project meets the capitalization criteria. Collateral or installed equipment include built-in equipment, large substantially affixed equipment, or equipment that is installed as part of the facility or asset. The subsequent costs of replacing, modifying or adding to this equipment will be evaluated against the capitalization criteria to determine the correct treatment. For example, in the construction of a dining hall, the built in equipment such as a walk-in freezer, commercial convection ovens, and steamers, would be capitalized as part of the cost of the constructed asset.

Portable and Modular Buildings

Portable and modular buildings must go through the AUC process if they meet the capitalization criteria. All costs incurred to bring the portable or modular building to its intended purpose must be included in the total cost (e.g. transportation, utilities, surface preparation). These costs for these portable buildings must be capitalized if the capitalization threshold is met.

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Construction in Abeyance

If a constructed asset is in abeyance or suspended, amounts related to the project recorded in CIP, AUC GL account 1720.CIP00, will be moved to general ledger account **1720.CIA00 – Construction in Abeyance**. A project is considered to be in abeyance when the construction efforts have been formally suspended and management has taken steps to preserve the project from deterioration pending resumption of construction. Costs to protect the project from deterioration are considered operating expenses and are not capitalized.

Contract Holdbacks

Amounts retained and not paid to the contractor because of a contract retainage clause will be accounted for in GL account **2130 – Contract Holdbacks**. GL account 2130 – Contract Holdbacks will be credited and GL account 1720 – CIP AUC GL account 1720 will be debited.

Heritage Assets

Heritage assets are property, plant, and equipment that are unique because of their historical or natural significance, cultural, educational, or artistic importance, or for significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely. Under Federal accounting standards, the costs of improving, reconstructing or renovating heritage assets must be expensed in the period in which the costs are incurred. Therefore, heritage assets are excluded from capitalization and the AUC process. Heritage assets include properties that are National Historic Landmarks (NHL), listed in the National Register of Historic Places (NRL), or are National Register Eligible (NRE).

EXAMPLES OF ASSETS UNDER CONSTRUCTION (Functional Assets)

Category	Example
Improvements to Land	Roadbeds, fences, light standards, and landscaping. AUC is separately accounted for as improvements to land costs, and transferred to GL 1712 when the project is completed.
Buildings	Structures that are used for work or habitation. AUC is separately accounted for as building costs, and transferred to GL 1730 when the project is completed.
Betterments	The addition of a gym to an existing school building, the installation of a centralized air conditioning system in an office building with no cooling system.
Improvements	An upgrade to an asset to replace the one currently used, for example: a tile roof system to replace an asphalt roof system, a concrete floor to replace a wooden floor, a refrigerated system to replace an evaporative cooler system, double-pane insulated glass windows to replace single-pane glass windows

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Category	Example
Renovations	AUC projects requiring complete rehabilitation or modernization of the existing structure, such as: interior walls, floors, windows, doors, insulation, electrical, plumbing, restrooms, and dam rehabilitation.
Other Structures	Includes costs of acquisitions and improvements of structures and facilities other than buildings; for example, airfield pavements, power production facilities and distribution systems, reclamation and irrigation facilities, flood control and navigational aids, communications systems, paved roads, bridges, non-stewardship land easements, railroads, monuments and memorials, non-structural improvements such as trails, sidewalks, parking areas, fences, curbs, and gutters, athletic fields, swimming pools, tennis courts, playground equipment, water distribution systems, sewage systems, heating/liquid propane systems, heating systems (e.g., electric, boilers), incinerators, substations, and line extensions. AUC is separately accounted for as other structure costs, and transferred to GL 1740 when the project is completed.

CAPITALIZATION OF ASSETS UNDER CONSTRUCTION

The capitalization determination of AUC projects is made at the planning phase of the project. Each functional asset (i.e. building, facility, other structure, land improvement, etc.) must independently meet the capitalization criteria. To capitalize any asset or betterment, the asset must:

- (1) meet the threshold of \$100,000 for real property and software;
- (2) have a benefit period of over two (2) years; and
- (3) be intended for use by the IA.

In determining if betterment should be capitalized, the value of the original asset is not added to the cost of the betterment and must be treated as separate transactions. If the betterment meets the capitalization threshold and criteria separate from the original asset, it is capitalized; otherwise it is expensed. If the betterment does not meet the capitalization criteria, it will be included in the IA's inventory as non-cap betterment.

The capitalization criteria must be applied to each individual component which could stand alone as a functional asset. If an asset can only function as part of the whole component (i.e. is not functional or useful by itself), the criteria will be applied to the whole functional asset.

Each property, plant and equipment, construction, addition, improvement, alteration, rehabilitation or replacement should be treated as a single event. A single event can be defined as

one (1) project. Projects may have several WBS's and multiple contracts working together for the project completion. All costs incurred to complete the project are included in determining the total cost of the single event and are used to determine whether it meets the capitalization criteria, regardless of when payment is made. If the event meets the criteria for capitalization, all costs incurred in relation to that event, regardless of when they are paid, will be recorded in the GL accounts.

Collateral equipment (Fixed Equipment) that is purchased or installed during a construction or improvement project is considered part of that project for capitalization purposes. Replacement or additions to collateral equipment at a later date should be treated as a separate event. The subsequent costs of replacing, modifying or adding to this equipment will be evaluated against the capitalization criteria to determine the correct treatment. Replacement of fixed equipment will have to meet the capitalization threshold as a single transaction to be treated as a capitalized asset. Otherwise, the replacement will be treated as non-capitalized betterment and included in the IA's inventory.

The amount to be capitalized must equal the total costs necessary for the completion of the asset. These costs have been accumulated and can be obtained from the CJ13 Report at the time the asset is substantially complete. Any unpaid invoices and other supplemental costs incurred after the transfer of an asset must be capitalized once they are paid and captured in AUC.

Personal Property Equipment is separate from collateral equipment and is property that is not considered to be part of the real estate (e.g. office equipment, movable freezers, or other items that can be easily moved). Personal property equipment with a total cost of \$25,000 or greater will be capitalized in GL 1750 Equipment. DOI policy increased the capitalization threshold from \$15,000 effective FY 2019. Property, plant and equipment construction projects that do not meet the capitalization criteria must be expensed. These assets are part of the IA's accountable property.

Capitalized values of assets constructed by IA must include all costs paid for the property, the value of other assets surrendered in order to obtain the property and all other costs incurred to bring the real property to a form and location suitable for its intended use. These costs include but are not limited to:

- Amounts paid to vendors or contractors, including fees;
- Transportation charges to the point of initial use;
- Handling and storage charges;
- Labor and other direct or indirect production costs for assets produced or constructed;
- Engineering, architectural, and other outside services for design, plans, specifications, and surveys;
- Acquisition and preparation costs of buildings and other facilities;
- An appropriate share of the cost of equipment and facilities used in construction work including depreciation;

- Fixed equipment and related costs of installation required for activities in a building or facility;
- Direct costs of inspection, supervision, and administration of construction contracts and construction work;
- Legal and recording fees and damage claims;
- Direct and indirect costs for permits including fees;
- Material amounts of interest costs paid;
- Fair value of facilities and equipment donated to the Government;
- Interest during construction;
- Certain post authorization investigation or study costs attributable to the asset being constructed;
- Contract “retainage” (holdback) costs;
- Demolition costs related to construction of new asset;
- Direct project-related salary costs; and/or
- Direct project-related travel costs

The following costs are not recorded as AUC, but should be included in FBMS as “other” costs and recorded in FBMS with an “AX” WBS. During the quarterly (CAPER) review, the PMs should indicate if any of these costs have been included as AUC. These costs will then be moved to the appropriate WBS.

- Amounts of interest cost paid, such as prompt payment interest; and/or
- Personal property and equipment, including accountable property.

The capitalization process begins when the project is determined to be substantially complete and the Project Manager/Program Management Office completes and signs the CIP-005 Report. The PM must notify the Program Management Office, Regional Property Officers (RPOs), DPM, and FRA by submitting the CIP-005 Report.

Substantial completion is when an asset is available, or being used for its intended purpose, regardless of final invoice payment. For new construction, substantial completion occurs when a certificate of occupancy is issued. Capitalization of CIP will not be delayed pending final acceptance of residual closeout work such as punch lists. The date that occupancy begins is a management decision and does not affect the accounting function for determining completion of a project.

The financial capitalization of the assets begins when DPM, RPOs, and FRA review the CIP-005 Report. Asset(s) are established in FBMS using the in-service date and the cost data provided on the CIP-005 Report. The useful life of the asset is determined by the UPC (Universal Product Code) and asset class assigned upon transfer.

CAPITALIZATION “IF & THEN TABLE”

If...	Then...
IA-owned project approved for: <ul style="list-style-type: none"> • New Construction • Improvement & Repair • Asset Purchase for Fixed Equipment • Inter-location Transfers 	1. Qualifies as a AUC project if: <ol style="list-style-type: none"> a. Project costs meets \$100K capitalization criteria; b. Real Property asset will have a useful life of two (2) years or more; and c. Be intended for use by the bureau. 2. Fill out WBS Request Form 3. Use an “AA” WBS 4. Encode project into FBMS
Tribal-owned project approved for: <ul style="list-style-type: none"> • New Construction • Improvement & Repair • Asset Purchase for Fixed Equipment • Inter-location Transfers 	1. Does not qualify as a Capitalized AUC project 2. Fill out WBS Request Form 3. Use an “AN” WBS 4. Encode project into FBMS
Project Expensed: <ul style="list-style-type: none"> • O&M projects • Some Improvement & Repair projects • Some Inter-location Transfers • Less than \$100K • Interest costs • Stand-Alone Equipment & Furniture 	1. Does not qualify as a AUC project 2. Use an “AX” or “AV” WBS 3. Encode project into FBMS
Project Substantially Complete	1. PMs fill out CIP-005 Report (Indicate if this is a full or partial transfer) 2. Breakdown AUC cost into completed assets 3. Balance to CJI3 Report

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If...	Then...
<p>AUC Projects:</p> <ul style="list-style-type: none"> • Procured through FAR/IA Contracts 	<p>1. PMs submit CAPERSs</p> <ol style="list-style-type: none"> Current Project Status Percentage of Completion by project phases & program codes Project cost verification
<p>AUC Projects:</p> <ul style="list-style-type: none"> • Procured through 638 contracts, 297 grants, or Compact <p>Note: Only applies if the Tribe declines to take ownership of the asset. A Tribal resolution or other documentation must be provided to FRA.</p>	<p>Submit Reports</p> <p>1. PMs submit Quarterly Status Report (i.e. CAPERS)</p> <ol style="list-style-type: none"> Current Project Status Percentage of Completion by project phases & program codes Project cost verification <p>Note: CFR requires 425 Quarterly Financial Reports from Tribes.</p>

CHAPTER 3 NEW CONSTRUCTION PROJECT SETUP

CRITERIA FOR NEW PROJECT SET UP

All construction projects should be entered into FBMS through the Controlling Objects/ Project System (CO/PS) module. FBMS is the IA official accounting system for recording AUC transactions. All IA-owned construction projects that meet one (1) of the following qualification criteria must be recorded in FBMS and in the AUC GL account 1720:

- New or Replacement** – Construction projects of buildings, structures (e.g., dams), facilities, or improvements to land (e.g., roads, power, and irrigation) that are estimated to exceed the real property capitalization threshold. If the final project cost does not meet the capitalization threshold, the item will be expensed rather than capitalized.
- Betterments, Improvements, and Renovations** – Construction projects aimed at expanding the capacity of an existing property, plant, or equipment, extending its useful life by two (2) or more years, or otherwise upgrading the asset to serve needs different from, or significantly greater than those originally intended. These projects will be capitalized if they independently meet the capitalization threshold.

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The Program Management Office is responsible for approving construction project budgets for the fiscal year. For any construction project, the Program Management Office completes and signs the WBS Request form and approved FBMS Entry Document (FED) attachment.

At the beginning of the project, the Program Management Office must:

- Designate a Project Manager (PM);
- Obtain tribal resolution(s) for asset(s) ownership determination;
- Provide start and end dates for milestones and WBS;
- Identify the project name;
- Provide a project description;
- Provide the project location(s); and
- Verify preliminary statement(s) of work (SOW) or project requirements (PRQ) are provided in WBS Request Form.

ENTERING A NEW PROJECT INTO FBMS

Step	Office/Position	Timeframe	Action
1	Program Management Office	Immediately following project funding approval	Complete and sign off on the FED and WBS Request Form
2	FRA	Immediately following receipt of the FED & WBS Request Form	Create the WBS number(s) in FBMS Update
3	PM and Contract Officer/Awarding Official	Before project starts	Works with Contractor on reporting requirements

MONITORING OF CONSTRUCTION PROJECTS

Each quarter, FRA will run AUC extract reports (CJ13 Report and Purchasing Report (RP430) formerly the BIA 664 and BIA 665) utilized by FRA, DPM, and construction Program Management Office, to monitor and track IA-owned projects, for AUC projects costs, and validate AUC costs equal GL 1720 balances.

Extract reports are also used to monitor projects for issues such as:

- Negative AUC amount;
- Receipt of tribal resolutions;
- When transfers are recorded in FBMS;
- Projects with expenses/obligations under cap threshold;
- Projects nearing completion and ready for transfer; and
- Projects with \$0 in AUC and obligations that should be closed out.

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Each quarter FRA will prepare CAPERs which will be available through a shared site. Once created, FRA will notify the PM and Program Management Office that the CAPERs is available for completion. Software in development projects are tracked separately from the CAPERs.

The PM is responsible for the lifecycle management of construction projects. Each quarter, the PM must reconcile all financial transactions affecting a construction project. For project construction costs in CJI3 Report, the PM must reconcile the transaction using the CJI3 and Purchasing Report (RPT) 430 (purchase) Reports, against corresponding financial documents maintained in the PM's project file.

The PM's project file must at a minimum include the following documents: contract awards; payments; federal charge card reports; and Intra-governmental Payment and Collection (IPAC) or other acquisition documents, including travel and payroll costs directly related to the project. The PM may request technical assistance from the FRA to complete the reconciliation. After completing the reconciliation, the PM will sign the CAPERS certification sheet and submit the CAPER to the Program Management Office and the FRA, including any supporting documents if necessary (the CAPERS certification sheet is not required for 1st Qtr reporting). Supporting documents could include the CIP-005 Report for completed assets or tribal resolutions for ownership change.

The CAPERs are also used by the PMs for quarterly expense reconciliation, ownership validation, and to monitor jobs that should be transferred out of AUC or will soon be ready for transfer. The PM must report the following information with the CAPERs:

- Provide project status which will either be on-going, completed, in abeyance, or cancelled.
- The percentage complete at each phase of a project by WBS including design, planning and construction.
- An estimated project completion date.
- The percentage or actual amount spent to date, as reported by the Tribal Quarterly Financial Report, for funding advanced to Tribes for 638 contracts, 297 grants and compact construction projects, which will be owned by IA at completion.
- Validations of costs/expenditures/invoices to ensure payments are charged to the correct project with the correct amounts, etc.
- Ownership validation to determine ownership of the asset(s) derived from the project. Ownership changes during a reporting period are also reported.
- Occupancy or Usage Validation to determine if the asset is being occupied or used.
- Receipt of resolution if Tribally owned.
- Validation of outstanding obligations incurred against the project.

Initial payments to Tribes for 638 contracts or self-governance funding agreements (compacts) and 297 grants, owned by IA at completion, are classified as **Advance To Others – GL 1410**. As a project progresses, each quarter a percentage of completion is determined by the PM through the Tribal Quarterly Financial Report submission. The PM works with the general

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contractor, Tribal contractor & sub-contractors to estimate the project’s status and percentage of completion. The percentage of completion must be reported on the CAPER. The CAPER facilitates and supports the transfer of amounts into and out of GL 1410 and GL 1720 for compact, 638 contract, and 297 grant construction-managed projects

FRA will assign a due date for the CAPERs submissions which corresponds with the quarterly financial reporting deadlines. FRA will monitor the submissions to ensure that all Project Managers responses are received in a timely manner. FRA will begin sending reminders to the Project Managers and Program Management Office ten (10) days from the assigned due date. Daily reminders will be sent 5 (five) days before the due date with escalation to DFMC, DWP, and FRA management if required. Throughout the reporting period FRA will send progress updates to the PMOs in order to enlist their assistance with PM updates.

FRA will perform a comparison between the current and prior quarter’s CAPERs reporting to check for reasonableness in the submissions from the Project Managers.

Each quarter, FRA will prepare the Quarterly CAPERs analysis sheet. The CAPERs analysis sheet informs management of any outstanding CAPERs reports not submitted and the associated risk of financial misstatement. FRA management signs this sheet quarterly and it is included with the final CAPERs reporting package. The analysis will not be required to be signed for the 1st Qtr reporting. The acceptable percentage of financial risk for missing CAPERs for reporting is 5% of the total CIP balance.

PROJECT COST RECONCILIATION

Step	Office/Position	Timeframe	Action
1	PM	Upon receipt of approved FED with WBS Request Forms.	Establish the project record-keeping system (a “cuff” account for maintaining cost documents).
2	PM	Quarterly – CAPER document is due to FRA within 10 calendar days before the end of the quarter.	Review CAPER: Works with general contractor, tribal contractor & sub-contractors to estimate the project’s status with a percentage of completion & construction end date. -Validates project ownership. -Reconcile expenses/obligations - Compare all project transactions processed through FBMS The purpose of this requirement is to ensure accuracy of financial transactions processed through the FBMS The PM must submit the completed CAPER and signed certification to FRA electronically. (Signed Certifications are

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Step	Office/Position	Timeframe	Action
			excluded in Q1)
3	PM	Quarterly or immediately upon knowledge	Notify FRA of ownership change. Obtain Tribal Resolution or other documentation from Tribe. Submit WBS Request Form with Tribal Resolution or other documentation to FRA to change ownership.
4	PM	Quarterly: Determine if there are any revised cost estimates or projects in abeyance or cancelled	Notify FRA of cancelled projects or of revised costs for projects in abeyance. Prepare CIP-005 Report and provide attachments and supporting documentation.
5	FRA	Quarterly	Prepare any needed Advance reclassification entry. Prepare competed AUC project transfer entry.
6	FRA	Quarterly	FRA monitors CAPERs submissions from PM and sends out follow up emails.
7	FRA	Quarterly	Prepare CAPERs analysis sheet and submit to management.
8	FRA	Monthly	Perform analysis on grant payments and move to advance as appropriate.

CHAPTER 4 FUNDING OF IA OR TRIBAL OWNED CONSTRUCTION PROJECTS

IA owns any and all property, plant, and equipment constructed for its use; except if the construction is pursuant to a 638 contract, self-governance funding agreement or 297 grants, in which case ownership automatically vests with the Tribe or Tribal organization. The Tribe or Tribal organization may request by Tribal resolution, that IA retains the title. Construction projects using 638 contract or 297 grant funds are assumed to be Tribally owned, unless otherwise stated in the Tribal resolution.

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If a construction project does not use 638 contract or 297 grant funds, or if the tribe requests by tribal resolution that IA retain ownership, then the project costs must be captured in the GL 1720-AUC account for construction work that has been completed under the contract or grant. This is accomplished when the project is set up in FBMS using an “AA” WBS. If a tribe or tribal organization elects to have the Bureau retain ownership, the Tribe or Tribal organization must agree to comply with Bureau policies and procedures for AUC accountability. Construction costs will be tracked on the CJI3 Report.

638 contract and 297 grant construction project payments to the Tribe or Tribal organization will be accounted as a Tribal Construction Advance GL 1410 until construction work begins.

Initial 638 contract or 297 grant payments will be charged to AUC (debit) 1720:

- The 638 contract/297 grant/Self-Governance compact construction payments are first recorded into AUC because the project is tracked with an AA* WBS
- FRA will move any payments made to Advance (debit) 1410 on a monthly basis.
- The percentage of costs expended as reported on the CAPERS will determine how much costs will be transferred from Advance 1410 (Credit) to CIP 1720 (Debit).

TRIBAL OWNERSHIP

Construction costs for 638 contract or 297 grant construction projects where the tribe retains ownership will not be captured in GL 1720-AUC. The Bureau will expense all costs incurred under such a scenario and capture the contract costs as “Investment in Non-Federal Physical Property.” The project must have a WBS “AN” in FBMS and tracked on the CJI3 Report.

CHAPTER 5 TRANSFER OF COMPLETED PROJECTS

TRANSFER OF COMPLETED IA PROJECTS TO FIXED ASSETS

When a construction project is substantially complete, it will be transferred to the appropriate fixed asset GL account, and the asset added to FBMS property module. This creates a depreciation schedule for the asset so the costs can be repaid over the life of the asset. Transfers to the appropriate fixed asset GL account must occur no later than 90 days after a project is deemed substantially complete.

The PM provides the asset class and UPC in the CIP-005 Report, which will be reviewed by the RPO. The PM will also provide an in-service date included in the CIP-005 Report.

The amount to be capitalized and transferred must be equal to the total costs necessary for project completion. These costs have been accumulated and can be obtained from the CJI3 Report at the time the project is substantially complete. Any unpaid invoices and other supplemental costs incurred after the transfer of the project must be capitalized once they are paid and captured in AUC.

NOTE: The transfer of an AUC will not be delayed pending final acceptance of residual closeout work (i.e. punch lists). The date of occupying a building is a management decision and does not affect the accounting function for determining completion of a project. Attention should be given to any project that is exhibiting signs of nearing completion. Signs of near completion include slowdown in the costs of the project, a high percentage of completion reported on the CAPER, or notice that the facilities are being used for its intended purpose. This attention becomes crucial during year-end closeout proceedings.

When transferring project costs to Fixed Assets, one (1) or more transfer reports (CIP-005 Report) may be prepared at different intervals. The capitalization criteria cannot be applied at the individual transfer amount because amounts are moved from an AUC before the project is finished. This may result in smaller or immaterial amounts remaining in AUC until the project is completely finished. These smaller amounts are part of the original cost, not an "official" or actual betterment.

The FBMS Asset Update Form, CIP-005 Report can be found at the following link:
<https://sites.google.com/a/bia.gov/ia-property-reporting/fbms-asset-update-report>

The PM will advise the Program Management Office, DPM and FRA of the proposed completion (or partial completion) date. Program Management Office, RPO, and FRA will coordinate processing requirements and provide any technical assistance to the PM for completing the FBMS Asset Update Form.

Upon partial or full completion of the project, the PM will sign and date the completed CIP-005 Report, obtain a dated signature from the Program Management Office, and submit the CIP-005 Report to FRA. Upon review and finalization of the completed CIP-005 Report, FRA and DPM will process the transfer in FBMS.

COMPLETED ASSET JOURNAL VOUCHER

If projects are listed as completed on the CAPERs, but the CIP-005 Reports have not yet been received, FRA will create a Journal Voucher to temporarily move these projects from the AUC account (GL 1720) to either Buildings (GL 1730) or Other Structures (GL 1740) depending on the estimated asset type as indicated on the CAPERs.

This is a quarterly entry which acts as a mitigating control to ensure that AUC balances are accurate for financial reporting purposes. Depreciation expenses are manually calculated and recorded using the completion date listed on the CAPERs. The quarterly entry records amounts in Depreciation Expense GL (6710) and Accumulated Depreciation (GL 1739 or 1749). After reporting, these entries will be reversed and completed projects will be classified to the appropriate GL once the CIP-005 Report is received. This entry is not required for first quarter reporting.

FRA will record the asset(s) in the FBMS property module and notify the PM, Program Management Office, and the DPM (via e-mail or memo) of the completed action along with processed copies of the transfer documents. Once the project is complete the PM will de-obligate any remaining balances so that the project can closed in the system.

COMPLETED PROJECT TRANSFERS

Step	Office/Position	Timeframe	Action
1	PM	Upon project completion.	<ul style="list-style-type: none"> Coordinate with Contractor on capital asset cost breakdown.

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Step	Office/Position	Timeframe	Action
			<ul style="list-style-type: none"> • Obtain the Asset Use Code and UPC Code (required on the form) from the RPO. • E-mail status of impending AUC Transfer to DPM. • Capital asset cost breakdown total must equal the total in the CJI3 Report • Coordinate with Program Management Office to complete CIP-005 Report
2	Program Management Office	Upon notification from the PM.	<p>Will initiate the requirements for completing CIP-005 Report</p> <ul style="list-style-type: none"> • Provide any necessary assistance to the PM for completing the form, including the attachments for project cost documentation, GL cost distribution, CJI3 Report. • Central Office property staff will coordinate with local property staff for site plan, building number, and information.
3	PM	Upon completion of CIP-005 Report.	Collaborate with the appropriate RPO to ensure correct asset information and submit package to Program Management Office
4	Program Management Office	Upon receipt of CIP-005 Report from the PM.	Forwards signed completed CIP-005 Report with supporting documentation if needed to FRA.
5	FRA	Upon receipt of FBMS Asset Update from Program Management Office.	<ul style="list-style-type: none"> • Review form for accuracy and completeness. • If it is a 638 contract/297 grant project, remaining costs will be transferred from GL 1410 to GL 1720 and capitalized, if appropriate. • Process asset transfer. • Send form to DPM for final review and signature.
6	DPM	Upon receipt of the	<ul style="list-style-type: none"> • Review created assets in FBMS

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Step	Office/Position	Timeframe	Action
		CIP-005 Report.	<p>for completeness, update the Asset Master Record and the Real Estate Object.</p> <ul style="list-style-type: none">• Submit all documentation for ownership to the respective RPO who will update the location site plan.• Establish an official property file for the asset.

CHAPTER 6 PROJECTS FROM OTHER FEDERAL AGENCIES

Occasionally other Federal agencies will perform construction projects for IA that is transferred upon completion. The source of project funding will determine the treatment of the costs during the construction of the asset.

OTHER FEDERAL GOVERNMENT-FUNDED PROJECTS

When a different Federal agency constructs a project for IA using that agency's funding or funding transferred from IA, the AUC will remain with the other agency until completion and transfer. Agencies constructing an IA project must provide quarterly progress and financial status reports in a format compatible with IA reporting requirements. When the project is completed, the agency formally transfers the assets and supporting cost and property documentation to IA. FRA will record the asset(s) in the FBMS property module and notify the PM, Program Management Office, and the DPM (via e-mail or memo) of the completed action. The DPM will ensure that the asset is properly recorded in the IA property system.

The other Federal agencies will document project construction costs using the following GL accounts:

- Structure for Improvements to Land – 1712
- Buildings – 1730
- Other Structures – 1740
- Property Fixed Asset Subsidiary – 1750

On a quarterly basis, the FRA will contact any agencies that are performing construction projects for IA and request a project status. This process will act as a mitigating control to ensure the timely transfer of projects completed by other agencies. The FRA will also inquire a status update from the IA RPOs of any known outstanding construction projects that are being constructed by another Federal agency.

DEFINITIONS

Accountable Property is real and personal property that has been or will be inventoried.

Capitalization Threshold. The cost limit above which an entity capitalizes constructed assets.

Betterments and Capital Improvements. Modifications made to existing real property which meet the capitalization criteria:

- extends the asset's useful life by two (2) years or more;
- enlarges or improves its capacity; or
- upgrades the asset to serve a need different from, or significantly greater than, those originally intended.

Personal Property Equipment. Separate from collateral equipment and is property that is not considered to be part of the real estate. Personal Property equipment would include items such as: office equipment, movable freezers, or other items that can be easily moved.

Real Property. Any interest in land, together with the improvements, structures, and fixtures, appurtenances, and improvements of any kind located thereon. The term "real" should be associated with realty, land, or something attracted thereto.

Routine Maintenance and Repairs are expenditures that maintain the existing condition of an asset or restore it to normal operating efficiency. Routine maintenance and repairs are excluded from AUC project accounting criteria, regardless of cost, unless the expenditure improves or extends the life of the asset.

Substantial Complete means the project meets at least one (1) of the following criteria:

- the asset is ready for its intended purpose;
- the asset is providing benefits and services; or
- the asset is currently occupied and has a DSRM issued Certificate of Occupancy.

Signs of near completion include slowdown in the costs of the project, a high percentage of completion reported on the CAPER, or notice that the facilities are being used for its intended purpose.

Useful Life of a construction project is the duration for which the item will be useful (to the business) once completed and is determined by the UPC and asset category assigned upon transfer.

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ACRONYMS

297 grant	P.L. 100-297 grants
638 contract	P.L. 93-638 contracts (also known as Indian Self-Determination contracts)
CIP-005 Report	FBMS Asset Update Report
CJI3 Report	Project Actual Cost Line Items (CJI3) Report (formerly BIA 664)
RP430 Report	Purchasing Report (Formerly the BIA 665)
AUC	Assets under Construction
BOC	Budget Object Class
CAPER	Construction and Progress Evaluation Report
CFR	Code of Federal Regulations
CIP	Construction in Progress
Compact	Self-Governance Funding Agreements
DASM	Deputy Assistant Secretary – Indian Affairs (Management)
DFMC	DASM, Division of Facilities Management and Construction
DMP	DASM, Division of Property Management
DWP	OTS, Division of Water and Power
FBMS	Financial and Business Management System (IA’s official accounting system for recording AUC transactions)
FED	FBMS Entry Document
FRA	OCFO, Division of Financial Reporting and Analysis
GL	General Ledger
IA	Indian Affairs (includes ASIA offices, Bureau of Indian Affairs, and Bureau of Indian Education)
IAM	Indian Affairs Manual
IPAC	Intra-governmental Payment and Collection
OCFO	Office of the Chief Financial Officer
OTS	Office of Trust Services
PM	Project Manager
PRQ	Project Requirements Document
RPO	Regional Property Officer
SOW	Statement of Work
WBS	Work Breakout Structure