MEMORANDUM FOR SEE DISTRIBUTION

FROM: NGB/A4

SUBJECT: Air National Guard Engineering Technical Letter (ANGETL) 17-06, Air National Guard Construction in Progress (CIP) Process

TO: SEE DISTRIBUTION

1. PURPOSE. This ANGETL documents a Financial Improvement and Audit Readiness (FIAR) compliant process to be used to track ANG CIP costs. It outlines the ANG process to account for the costs associated with all ANG construction projects (major & minor)/work items whose full or partial value is determined to be capitalized by the base Real Property Officer/Base Civil Engineer. Costs to be capitalized will be limited to those identified in the corresponding Project/Work Item Approval Document to include, construction, supervision, inspection, and overhead (SIOH) and equipment costs. This process is intended to track these project costs funded by ANG appropriations in support of these assets as they are capitalized throughout construction until the asset is placed in service. The key supporting documents (KSDs) to be kept in the official project folder are identified in this ANGETL.

2. DESCRIPTION. The ANG CIP process encompasses the execution of real property capitalization projects from the establishment of the Project/Work Item Approval document to project closeout. The CIP process is required to track all costs identified in the Project/Work Item Approval document as they are incurred by ANG from the start of construction through the certification of costs incurred on the final DD Form 1354 for ANG real property assets as they are placed in service. This process involves the coordination of multiple ANG offices and functions, including but not limited to NGB/A4A (Asset Management), NGB/A4O (Operations), the Base Civil Engineer (BCE), the United States Property and Fiscal Officer (USPFO)/Design or Construction Agent, the Real Property Manager (RPM) and the Real Property Accountable Officer (RPAO). This process involves the identification of at least one Real Property Unique Identifier (RPUID) before the Project/Work Item is solicited for construction, a Draft DD Form 1354 at the start of construction, an Interim DD Form 1354 within 10 business days of the Placed-in-Service date, and a Final DD Form 1354 at project closeout.

3. APPLICATION.

3.1 Effective Date: Immediately.
3.2 **Ultimate Recipients:** NGB/A4A Programmers, NGB/A4O Project Managers, Base Civil Engineers (BCEs) and Deputy BCEs, Real Property Accountable Officers (RPAOs), Real Property Managers (RPMs), and United States Property Fiscal Officers (USPFOs).

3.3 **Coordination with Key Organizations:** NGB/A4A, NGB/A4O, and select field representatives.

4. **REFERENCES.**

4.1 AFI 32-9005, Real Property Accountability and Reporting
4.2 ANGETL 15-03, MILCON Project Closeout Process
4.3 ANGI 32-1023, Criteria & Standards for Air National Guard Design and Construction
4.4 DoDI 7000.14-R Financial Management Regulation
4.4.1 Volume 3: Budget Execution – Availability and Use of Budgetary Resources Policy
4.4.2 Volume 4: Accounting Policy
4.5 UFC 1-300-08, 16 April 2009, Change 2, August 2011, Criteria for Transfer and Acceptance of DoD Real Property

5. **DEFINITIONS.**

5.1 **Construction in Progress (CIP)** – Is an accounting term referring to the temporary classification of assets under construction. CIP is intended to capture those amounts of monies that are actually paid to a contractor or vendor or in-house expenditures as the construction phase of the project progresses. The Air Force and its components are required to maintain an accurate level of accountability of all CIP. CIP is reported on the balance sheet of the entity acquiring the asset (e.g. the USPFO) as debits to the U.S. Government Standard General Ledger Account (GLA) Number 1720, Construction-in Progress, using the appropriate Fund Code. Reporting continues until the accountability is passed to the entity responsible for the sustainment of the asset. CIP will only include those costs intended to result in a change in the capitalized value of a DoD real property asset.

5.2 **DD Form 1354** – Transfer and Acceptance of DoD Real Property DoD form used to identify all DoD Real Property transferred into or out of the Real Property inventory. The required stages are: Draft – Start of Construction, Interim – Within 10 business days of the Placed-in-Service date, and Final – Project Closeout.

5.3 **Design Agent/Construction Agent (DA/CA)** – Is the agent used to provide Design services and/or Construction services for the project/work item. In most cases the USPFO is the DA and CA for the ANG. Occasionally, or in specific locations, the
ANG may use the services of the Army Corps of Engineers or the Navy as the DA or CA.

5.4 **Electronic Documents Access (EDA)** – Is an online document access system designed to provide acquisition related information for use by all of the Department of Defense.

6. **PROCESS STEPS.** The ANG CIP Process Steps are as follows (Reference Atch 1 ANG CIP Process Map):

**STEP 1:** Appropriate Authority (see below) determines whether a project/work item is considered capitalization and whether the full value of the project/work item or only a percentage of the value of the project/work item is to be capitalized. (ref. AFI 32-9005)

Capitalization determination: The following business rules will determine if a project/work item will be considered capitalization for which CIP will be tracked:

<table>
<thead>
<tr>
<th>Considered Capitalization?</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>New Construction</td>
</tr>
<tr>
<td>Yes</td>
<td>Increase size/footprint of existing facility</td>
</tr>
<tr>
<td>Yes</td>
<td>Increase volume and/or exterior Dimensions of existing facility</td>
</tr>
<tr>
<td>Yes</td>
<td>Repair/Renovation exceeding 50% of the Plant Replacement Value</td>
</tr>
<tr>
<td>Yes</td>
<td>Energy project</td>
</tr>
<tr>
<td>Yes</td>
<td>Conversion from one function to another</td>
</tr>
<tr>
<td>No</td>
<td>Sustainment work</td>
</tr>
<tr>
<td>Yes</td>
<td>Extends Useful Life of an existing facility</td>
</tr>
</tbody>
</table>

a. Capitalization determinations will indicate whether Construction-in-Progress (CIP) is reported or not.

b. The Capitalization threshold does not have a bearing on CIP and will not have impact on table below. The Capitalization threshold determines whether work is capitalized after total costs are determined.

c. The responsibility for determining whether a project/work item is capitalization (full or partial) ultimately rests with the Real Property Officer/Base Civil Engineer. Use the following rules for capitalization determinations:

### CAPITALIZATION DETERMINATIONS

<table>
<thead>
<tr>
<th>Scenario</th>
<th>$ Value Range</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local approval, local funded project meeting capitalization business</td>
<td>SRM repair &lt;$700K or SRM construction</td>
<td>BCE determines</td>
</tr>
<tr>
<td>Local approval, NGB funded project meeting capitalization business rules and above the capitalization threshold</td>
<td>SRM repair &lt;$100K or SRM construction &lt; $100K</td>
<td>BCE determines</td>
</tr>
<tr>
<td>Local approval, NGB funded project meeting capitalization business rules and above the capitalization threshold</td>
<td>SRM repair between $100K and $700K</td>
<td>BCE determines and records on local approved DD1391 submitted to ANG</td>
</tr>
<tr>
<td>NGB funded SRM projects meeting capitalization business rules</td>
<td>SRM repair &gt;=$700K and SRM construction between $100K and $1,000K</td>
<td>NGB/A4A determines and records on DD1391 in additional block.</td>
</tr>
<tr>
<td>Unspecified Minor Military Construction</td>
<td>Construction between $1,000K and $3,000K</td>
<td>Will always be a Capital Improvement. NGB/A4A records on DD1391</td>
</tr>
<tr>
<td>Major Military Construction</td>
<td>Construction &gt;= $1,000K</td>
<td>Will always be a Capital Improvement if not solely land acquisition. NGB/A4A records on DD1391</td>
</tr>
</tbody>
</table>

Note: The full value of New Construction and Capital Improvements will be capitalized. A determination will have to be made as to the extent to which Repair and Maintenance projects that meet capitalization business rules are capitalized (e.g. modernization). The CIP Cost Matrix (ref. Vol 4, Ch. 6, Annex 2 of the FMR) identifies the costs to be included in the capitalization. The cost items must be included in the Work Approval Document (See Step 3 below). If any costs are not included on the work approval document, they are not to be capitalized.

**STEP 2:** For Projects for which CIP will be tracked, NGB/A4A requests a facility number (from base) to establish a facility candidate record in the IT System (ACES-RP/NexGen IT). Before project is authorized for design and a Design Instruction (DI) is issued, a facility number will be included on the DD Form 1391.

**STEP 3:** Project/Work Item is approved at the authorized level. The Project/Work Item Approval is a KSD to be kept in the official Project Folder. This is the start of CIP reporting. The CIP Reporting Process begins with project/work item approval and ends with upon receipt of the Final DD Form 1354. It is at this point a CIP Account is created (This is nothing more than the project number which is an identifier) (ref. UFC 1-300-08).

### PROJECT/WORK ITEM APPROVAL

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Project/Work Item Approval</th>
<th>Work Approval Key Supporting Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local SRM, local funding</td>
<td>Approved by WRRB and recorded in iEMS</td>
<td>iEMS Approval Record</td>
</tr>
<tr>
<td>Local SRM, NGB funding &lt;= $100K</td>
<td>Approved by WRRB and recorded in iEMS</td>
<td>iEMS Approval Record</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>--------------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Local SRM, NGB funding &gt; $100K</td>
<td>BCE approved DD Form 1391</td>
<td>BCE Signed DD Form 1391</td>
</tr>
<tr>
<td>NGB Approved SRM Repair &lt;=$5M</td>
<td>NGB/A4A Approved DD1391</td>
<td>NGB/A4A Signed DD Form 1391</td>
</tr>
<tr>
<td>NGB Approved SRM Repair Between $5M and $7M</td>
<td>NGB/A4 Approved DD1391</td>
<td>NGB/A4 Signed DD Form 1391</td>
</tr>
<tr>
<td>NGB SRM Repair above $7M</td>
<td>SAF approved and Congressional notification completed</td>
<td>SAF Approval Memo</td>
</tr>
<tr>
<td>NGB approved minor construction less than $1M</td>
<td>NGB/A4A approved DD1391</td>
<td>NGB/A4 Signed DD Form 1391</td>
</tr>
<tr>
<td>Unspecified Minor Military Construction between $1M and $3M</td>
<td>SAF approval and Congressional Notification completed</td>
<td>SAF Approval Memo</td>
</tr>
</tbody>
</table>

**STEP 4:** NGB/A4A Approves/Releases project to NGB/A4O for Design (ref. ANGI 32-1023). This is only required for NGB approval level projects.

**STEP 5:** NGB/A4O issues Design Instruction and Design Funding (ref. ANGI 32-1023). This is only required for NGB approval level projects.

**STEP 6:** Design Agent (DA)/CA awards AE design contract. DA/CA/BCE schedules project design reviews (ref. ANGI 32-1023).

**STEP 7:** DA/CA/BCE reviews design submittals, presents and obtains approval from NGB/A4O (ref. ANGI 32-1023). Assists installation RPAO in acquiring RPUIDs and any additional supporting facility numbers. RPUIDs required before project can be solicited for construction. NGB/A4O approval is only required for NGB approval level projects.

**STEP 8:** NGB/A4O Authorizes the Project to be solicited for construction and provides construction funding (ref. ANGI 32-1023). This is only required for NGB approval level projects. BCE authorizes solicitation for construction of local level projects.

**STEP 9:** Construction Agent, (CA)/BCE, develops the Draft DD Form 1354 (a KSD) (ref. UFC 1-300-08) and inputs it in the appropriate IT system. This must be accomplished prior to the award of a construction contract. The RPAO acquires any additional supporting facility numbers and RPUIDs for the project.
**STEP 10:** Construction Agent (CA/BCE) solicits the project for construction pricing and provides results to NGB/A4O (ref. ANGI 32-1023). Submission of results to NGB/A4O is only required for NGB approval level projects.

**STEP 11:** NGB/A4O provides authority to award to CA with funding adjustment as necessary (ref. ANGI 32-1023). BCE provides authority to award for local level approval projects.

**STEP 12:** Construction Agent (CA) awards construction contract (ref. ANGI 32-1023).

**STEP 13:** CIP Reporting continues with construction payments (ref. Vol 4, Chapter 6 of the FMR). The Construction Agent (CA) or the Sponsoring Entity will record costs to be capitalized in the CIP Account as they are incurred. KSDs to be maintained in the official project folder are invoices, bills of material, labor cost reports, and other supporting documentation for costs. When the CA is an agency other than the USPFO, this process will be documented in a Memorandum of Understanding (MOU) with the CA.

**STEP 14:** The Construction Agent (CA/BCE) schedules the Red Zone (initial project closeout) meeting with the RPM, KTR advisor and stakeholders when the project is 75-80% construction complete (ANGI 32-1023 & ANGETL 09-11, Project Closeout Process).

**STEP 15:** Installation schedules facility turnover/final inspection meeting with the BCE, RPM, Contractor and stakeholders. This is the Placed-in-Service date. An Interim DD Form 1354 (a KSD) is developed (ANGI 32-1023, ANGETL 09-11, Project Closeout Process, Vol 4, Chapter 6 of the FMR, and UFC 1-300-08).

**STEP 16:** The Construction Agent (CA), BCE, and RPM formally agree to place the real property in service on the interim DD Form 1354 with the CA signing in Block 24 and the delegated accepting official signing in Block 25 (ref. Vol 3, Chapter 17 of the FMR and UFC 1-300-08).

**STEP 16.a:** Installation RPM capitalizes all assets having costs that exceed the capitalization threshold ($250,000) on the Interim DD Form 1354 within 10 business days of Placed-in-Service date (ref. Vol 4, Chapter 6 of the FMR).

**STEP 17:** Construction Agent submits Final DD Form 1354 to BCE/RPM/USPFO within 18 months of Placed in Service date, after all punchlist items are complete and all costs are finalized. Construction claims settled after the final DD Form 1354 will not be capitalized (ref. Vol 3, Chapter 17 of the FMR and UFC 1-300-08).

**STEP 17.a:** Installation RPM capitalizes or expenses all costs or expenses
appearing on the Final DD Form 1354 within 10 business days from the date the delegated accepting official signs the Final DD Form 1354 (a KSD) (ref. Vol 4, Chapter 6 of the FMR).

**STEP 18:** Construction Agent (CA) expenses all CIP costs not recorded on the Final DD Form 1354 (ref. Vol 4, Chapter 6 of the FMR).

**STEP 19:** Installation provides signed FINAL DD Form 1354 to facility record and the Project Folder (ref. Vol 3, Chapter 17 and Vol 4, Chapter 6 of the FMR).

7. **ANG CIP NOTIONAL TIMELINE.** A notional CIP timeline is provided at attachment 2. This timeline shows how events in the CIP process relate to each other and provides a visual reference of when key events should occur.

8. **USE OF INFORMATION TECHNOLOGY SYSTEMS FOR CIP TRACKING.** NexGEN IT will be the authoritative system of record for real property data and the DD Forms 1354. The ANG IT system for project management (Project Data System (PDS)) will prompt the generation of a DD Form 1354 (Draft, Interim, or Final) at the stage when it is required. This feature will be provided for NGFB approval level projects only. When the project is programmed, the NGB/A4A Programmer will indicate in the Project Cost Breakdown, accessed from the Project Information Screen, whether the project is capitalization and if yes, what percentage of the project cost is to be capitalized.

For projects that are determined to be capitalization (in full or in part), a PDS screen will appear displaying construction funding issued for that project, the percentage of the project that is to be capitalized, and DD Form 1354 fields to be populated by the base. The BCE will be prompted to populate the appropriate DD Form 1354 version (Preliminary, Interim or Draft) according to the project execution status. The DD Form 1354 information may be populated directly by the base and the information provided may be used to generate a DD Form 1354 or the DD Form 1354 information can be imported from the NexGen IT system of record where the official DD Forms 1354 will reside. PDS will archive each version of the DD Form 1354 generated.

This feature in PDS will allow the NGB/A4O Project Manager to see that DD Forms 1354 have been generated at the appropriate stage of project execution and will also provide a basis for comparing the project costs that have been capitalized or expensed with the project funding that has been provided.

9. **ACRONYMS:**

ANG – Air National Guard

ANGI – Air National Guard Instruction

APSR – Accountable Property System of Record
BCE – Base Civil Engineer
CA – Construction Agent
CIP – Construction-in-Progress
CSR – Construction Status Report
DA – Design Agent
DBCE – Deputy Base Civil Engineer
DI – Design Instruction
DoD – Department of Defense
EDA – Electronic Documents Access
FMR – Financial Management Regulation
FIAR – Financial Improvement and Audit Readiness
GLA – General Ledger Account
KSD – Key Supporting Document
MILCON – Military Construction
NGB – National Guard Bureau
NGB/A4A – Asset Management Division
NGB/A4O – Operations Division
PDS – Project Data System
PM – Project Manager
RPAO – Real Property Accountable Officer
RPM – Real Property Manager
RPSUID – Real Property Site Unique Identifier
RPUIID – Real Property Unique Identifier
SIOH – Supervision, Inspection, and Overhead
SRM – Sustainment, Restoration and Modernization
USPFO – United States Property Fiscal Officer

WRRB – Work Request Review Board

10. POINT OF CONTACT FOR THIS ANGETL: The point of contact for this ANGETL is Mr. Marc Hewett at (240) 612-8070, DSN 612-8070, marc.v.hewett.civ@mail.mil.

WILLIAM P. ALBRO, P.E., GS-15
Associate Director of Installations

Attachments:
1. ANG CIP Process
2. ANG CIP Notional Timeline
3. Current ETL Index

DISTRIBUTION via Email
Each USPFO
Each BCE