

# Reclamation Manual

Directives and Standards

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**SUPPLEMENT TO THE  
DEPARTMENT OF THE INTERIOR  
DEPARTMENTAL ACCOUNTING MANUAL**

**FILE: 07 CASH AND OTHER ASSETS  
20 Property, Plant, and Equipment  
10 Capitalization and Valuation**

**Subject(B)(8):** Plant Accounting - Construction in Abeyance

**Purpose:** Establishes policy and documents procedures for valuation and accounting for investment in general property, plant, and equipment held for operating purposes when construction is in abeyance.

**Authority:** Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment* and the U.S. Treasury Standard General Ledger (SGL).

**Contact:** Finance and Accounting Services (FAS), General Accounting and Technical Analysis Group (GATAG), by calling (303) 445-3430

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**Scope.** Reclamation property, plant, and equipment are classified as general property, plant, and equipment in accordance with the FASAB SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Reclamation's general property, plant, and equipment consists of land, construction in progress, construction in abeyance, buildings, other structures and facilities, data processing software, and equipment. Guidance specific to data processing software and equipment is provided in Reclamation Manual (RM) FIN 07-20-10(C), *Computer Software Costs*.

**8. Construction in Abeyance.**

- A. Criteria for Transferring Programs or Features to Construction in Abeyance.** A program or feature should be transferred from construction in progress (SGL 1720) to construction in abeyance (SGL 172B) when: (1) construction on the program or feature either may or may not be substantially complete, but it is not providing benefits or services for the intended purpose(s); (2) construction has been suspended; and (3) it is unlikely that construction will resume, or it is unlikely that the program or feature will begin delivering benefits or services for the intended purpose(s), within 3 years (unless justification for a longer period can be provided).

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### B. Review of Construction in Abeyance.

- (1) Regions shall analyze each program or feature in SGL 1720 and SGL 172B on an annual basis, with the analysis to be complete by the end of July. This analysis shall be facilitated with the use of the *Construction in Progress Analysis Form* [RM FIN 07-20-10, Subject (B)(6), Appendix B]. The form shall be prepared by the Regional Finance Office and forwarded to the applicable program manager, who will provide the status of each identified program or feature. Upon determination by the program manager to transfer costs to or from construction in abeyance, as applicable, documentation including the *Construction in Progress Analysis Form* must be maintained to support the decision.
- (2) In assessing whether construction in progress (CIP) costs should be transferred to construction in abeyance, several factors may be considered. If a project has not had significant construction activity for the past 2 years, and the project does not meet the criteria for transfer to plant in service, the project should be further researched. For example, it should be determined whether the project has been formally suspended, terminated, or deauthorized by Congress. As discussed below, facilities which have been deauthorized by Congress should be written-off.
- (3) If a project has not been formally suspended or terminated, there may be other indications that may support the transfer of costs to construction in abeyance. For example, if Reclamation has not requested funding, or Congress has not appropriated funding to continue construction, this may suggest that CIP costs should be transferred to construction in abeyance.
- (4) Consideration should also be given to transferring a program or feature from CIP to construction in abeyance when construction on the program or feature is substantially complete, but it is unlikely that the program or feature will begin providing benefits or service for the authorized project purposes within a 3-year period (unless a longer period can be justified). For example, if there are unresolved issues, such as repayment, water quality, or environmental issues, that will preclude the delivery of benefits or services for an indefinite time, the program or feature should be transferred to construction in abeyance, pending resolution of these issues. If these issues are eventually resolved, and the program or feature is capable of providing project benefits and services, these programs or features should be transferred to plant in service.

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### C. **Transfers to Construction in Abeyance.**

- (1) The decision to transfer CIP costs to construction in abeyance should be thoroughly documented to support the transfer in the accounting and property records. The engineering program manager or regional program manager, as applicable in each region, may complete a document similar to the attached *Transfer to Construction in Abeyance* form (Appendix A) to start the transfer process. Whatever form is used to document the transfer, **at a minimum** the following data should be included:
  - Project number and project name
  - Program or feature number and program or feature description
  - Reason for transferring program or feature to construction in abeyance
  - Date of transfer
  - Signature of the program manager
- (2) After the transfer is accomplished in the accounting records, copies of the transfer form or other documentation should be routed, for notification purposes, to other offices, as applicable.

D. **Valuation of Construction in Abeyance.** When programs or features are transferred to construction in abeyance, all historical costs recorded in CIP to date on those applicable programs or features should be transferred. Costs will remain in construction in abeyance and will be maintained at their historical value until the final disposition of the programs or features is made.

E. **Interest During Construction (IDC) After Transfer.** Unless there is a statutory requirement, the calculation and recording of IDC should be suspended after a program or feature is transferred to construction in abeyance. Any IDC recorded prior to the transfer will be transferred to construction in abeyance along with all the other costs. If later the facilities are either transferred back to CIP or to a completed plant account, IDC will be retroactively computed. Refer to RM FIN 07-20-10(A) for specific guidance on the calculation and recording of IDC.

F. **Treatment of Operation and Maintenance Costs.** When a program or feature is placed into abeyance, there are significant uncertainties regarding eventual completion of the project. Since the provision of any service or benefits is being deferred, the Federal Government is responsible for any maintenance costs while facilities are in abeyance. Since the facilities are not in operation, generally, there will be minimal maintenance costs. In certain situations, some maintenance may be required to keep the facilities from deteriorating and/or to protect the public health and safety. Any

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maintenance costs for facilities in abeyance will be expensed in the year incurred. However, historical cost records will be maintained, as they will be needed for future cost recovery purposes, if the project is resumed.

**G. Depreciation of Programs or Features in Abeyance.** Since facilities in abeyance are not providing benefits or services for the intended purposes, and therefore are not generating revenue, depreciation should not be computed on these programs or features. This maintains the integrity of the matching principle.

**H. Disposition of Construction in Abeyance.**

- (1) A final determination on the disposition of programs or features in abeyance will depend on: (a) resolution of any issue which is suspending project completion or deferring the delivery of project benefits or services or (b) Congressional direction on the disposition of the facilities. Examples of some issues that might suspend construction are an inability to arrange for repayment of all reimbursable costs, water quality issues, soil issues design flaws, drainage issues, environmental or endangered species issues, project resistance by local residents, or lack of funding.
- (2) Each program or feature in construction in abeyance will be analyzed on an annual basis. When any one of the three key criteria for classification to construction in abeyance (cited in paragraph 8A above) is no longer met, the program manager will document on the *Construction in Progress Analysis Form* [RM FIN 07-20-10, Subject (B)(6), Appendix B] the determination to transfer costs from construction in abeyance. Costs will be transferred from construction in abeyance to either (a) the applicable completed plant account, if the asset is substantially complete (refer to RM FIN 07-20-10 (B)(6), paragraph C 2 for the three key criteria for determining when an asset is considered substantially complete), or (b) CIP, if construction is not yet substantially complete.
- (3) When facilities have been deauthorized by Congress, the programs or features should be removed from construction in abeyance, i.e., written off. Any difference between the historical cost of the programs or features and any salvage value should be recognized as a gain or loss in the fiscal year that the facilities were deauthorized. Salvage value may include cash received for the sale of salvageable materials to the public, and the historical cost of any salvageable components that will be used in other Reclamation facilities or transferred to another Federal entity. Also, if some salvageable components that will be used in other Reclamation facilities or transferred to other Federal entities are deemed to be impaired, they will be valued at net realizable value for inclusion in the computation above.

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- (4) In general, the following represents the accounting entry for write-off of programs or features in construction in abeyance:

Cash or Other Asset  
Loss on Disposition of Asset  
Construction in Abeyance

- (5) If facilities are abandoned without any salvage value, a loss should be recognized in the amount of the historical cost of the facility. If a portion of the facilities in abeyance will be used to provide benefits or services for the project's intended purpose(s), these facilities should be retained at historical cost in another asset account. Otherwise, any salvageable components should be valued at their fair value.