

Reclamation Manual

Directives and Standards

- Subject:** Reclamation Standard Water-Related Contract Articles, Article 7: Examination, Inspection, and Audit of Project Works, Records, and Reports for Determining Adequacy of Operation and Maintenance
- Purpose:** To commit Reclamation's Standard Contract Article 7 to the Reclamation Manual, introduced by a brief description and direction regarding its use, for the benefit of making it easily accessible and promoting Reclamation-wide consistency in its use and content.
- Authority:** The Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), especially section 6 (43 U.S.C. § 498), and acts amendatory and supplementary thereto, especially section 5 of the Reclamation Extension Act of 1914 (Pub. L. 63--170; 43 U.S.C. § 499), and subsection G of the Fact Finder's Act of 1924 (Pub. L. 68-292; 43 U.S.C. § 500).
- Approving Official:** Director, Office of Program and Policy Services
- Contact:** Office of Program and Policy Services; Contract Services Office, 84-56000

1. **Examination, Inspection, and Audit of Project Works, Records, and Reports for Determining Adequacy of Operation and Maintenance.** This article is included when the operation and maintenance of Federal facilities have been or will be transferred to the contractor. It is also applicable to projects constructed by a contractor using Federal funds where the United States retains a financial, physical, or liability interest in the facility. It authorizes the United States to audit the contractor's financial, construction, and maintenance records and to access and operate the facilities, if necessary. The charts included in Reclamation Manual Policy PEC P10 specify which contract types require standard article 7.
2. **Reclamation Standard Contract Article 7.**

(All Programs Where the Operation and Maintenance
of Project Works Are or Will be Transferred)

EXAMINATION, INSPECTION, AND AUDIT OF PROJECT WORKS, RECORDS, AND REPORTS FOR DETERMINING ADEQUACY OF OPERATION AND MAINTENANCE¹

(a) The Contracting Officer may from time to time, examine the following: the Contractor's books, records, and reports; the project works being operated by the Contractor; the adequacy of the [operation, maintenance, and safety of dams programs;] [operation and maintenance program;] the reserve fund; and the water conservation program including the water

¹ Approved 2/71; Revised 09/82; 02/83 11/84; 01/02; 08/05.

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conservation fund, if applicable. Notwithstanding title ownership, where the United States retains a financial, physical, or liability interest in facilities either constructed by the United States or with funds provided by the United States, the Contracting Officer may examine any or all of the project works providing such interest to the United States.²

(b) The Contracting Officer may, or the Contractor may ask the Contracting Officer to, conduct special inspections of any project works being operated by the Contractor and special audits of the Contractor's books and records to ascertain the extent of any operation and maintenance deficiencies to determine the remedial measures required for their correction and to assist the Contractor in solving specific problems. Except in an emergency, any special inspection or audit shall be made only after written notice thereof has been delivered to the Contractor by the Contracting Officer.

(c) The Contractor shall provide access to the project works, operate any mechanical or electrical equipment, and be available to assist in the examination, inspection, or audit.

(d) The Contracting Officer shall prepare reports based on the examinations, inspections, or audits and furnish copies of such reports and any recommendations to the Contractor.

(e) The costs incurred by the United States in conducting operation and maintenance examinations, inspections, and audits and preparing associated reports and recommendations related to high- and significant hazard dams and associated facilities shall be nonreimbursable. Associated facilities include carriage, distribution, and drainage systems; pumping and pump-generating plants; powerplant structures; tunnels/pipelines; diversion and storage dams (low hazard); Type 2 bridges which are Reclamation-owned bridges not located on a public road;

² When the project works do not include dams and related works, the reference to the safety of dams in paragraph (a) may be omitted. Variable language is shown in brackets.

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regulating reservoirs (low hazard); fish passage and protective facilities, including hatcheries; river channelization features; rural/municipal water systems; desalting and other water treatment plants; maintenance buildings and service yards; facilities constructed under Federal loan programs (until paid out); and recreation facilities (reserved works only); and any other facilities as determined by the Contracting Officer.³

(f) Expenses incurred by the Contractor, as applicable, in participating in the operation and maintenance site examination will be borne by the Contractor.

(g) Requests by the Contractor for consultations, design services, or modification reviews, and the completion of any operation and maintenance activities identified in the formal recommendations resulting from the examination (unless otherwise noted) are to be funded as project operation and maintenance and are reimbursable by the Contractor to the extent of current project operation and maintenance allocations.

(h) Site visit special inspections that are beyond the regularly scheduled operation and maintenance examinations conducted to evaluate a particular concern(s) or problem(s) and provide assistance relative to any corrective action (either as a follow up to an operation and maintenance examination or when requested by the Contractor) shall be nonreimbursable.

(i) The Contracting Officer may provide the State(s) an opportunity to observe and participate in, at their own expense, the examinations and inspections. The State(s) may be provided copies of reports and any recommendations relating to such examinations and inspections.⁴

³ In situations where the United States is responsible for certain costs, subarticle (e) may be modified to reflect such commitments.

⁴ Examinations and report preparation associated with facility reviews of dams are non-reimbursable.