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Subject:	Plant Accounting - Construction in Progress (CIP)
Purpose:	Establishes accounting requirements and procedures for recording capitalized general property, plant, and equipment costs held for operating purposes. The benefits of this Directive and Standard (D&S) are that it provides Bureau of Reclamation-specific accounting direction that is compliant with Federal generally accepted accounting principles.
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) .
Approving Official:	Director, Management Services Office
Contact:	Financial Policy Division (FPD), 84-27600 or (303) 445-3430

1. **Scope.** Costs incurred for Reclamation general property, plant, and equipment (PP&E) held for operating purposes are capitalized in accordance with the FASAB [SFFAS No. 6, Accounting for Property, Plant, and Equipment](#) and Reclamation Manual (RM) [Plant Accounting – General Property, Plant, and Equipment](#) (FIN 07-20-10(B)(2)). Reclamation’s general PP&E consist of land, CIP, buildings, other structures and facilities, construction-in-abeyance, data processing software, and equipment; however, the requirements in this D&S do not apply to data processing software, construction performed for other Federal entities, or land. Refer to RM [Computer Software Costs](#) (FIN 07-20-10(C)), or RM [Plant Accounting – Land](#) (FIN 07-20(B)(4)) for requirements specific to these components of PP&E. Accounting requirements for construction performed by Reclamation for other entities will be addressed in a separate RM release at a future date. Requirements in this RM chapter do not apply to non-Federal physical property and research and development classified as stewardship investments. FASAB guidance requires that stewardship investment costs are expensed.
2. **CIP.**
 - A. **Definitions and SGL Account Usage.**
 - (1) **CIP.**
 - (a) SGL account 1720 – *Construction-in-Progress* (CIP) is used to capture ongoing construction costs incurred for new construction, replacements, or new additions for Reclamation-owned PP&E programs or features. Begin charging costs to this SGL account once

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construction authorization is granted (post-authorization), if applicable, or once the decision (Post decisional) to construct has been officially made.

- (b) Costs remain in the CIP SGL account until a determination is made that the costs must be transferred to completed plant, construction in abeyance, or expense as the result of congressional de-authorization. Three key criteria must be met before costs can be transferred to completed plant. While all three criteria have to be met before costs can be transferred, the third criteria may not be applicable to all programs and features. Transfer from CIP to completed plant must be made when a program or feature meets **all** three criteria listed below regardless of when the program or feature was scheduled for completion.
- (i) the construction work on a program or feature is substantially complete;
 - (ii) the program or feature is providing the intended purpose(s), benefits, and services; **and**
 - (iii) when applicable, the program or feature is generating project purpose revenue.
- (c) Until **all** three criteria cited above are met, costs for an active program or feature will remain in CIP. Transfer requirements apply to individual features when they meet the three criteria even if when met prior to completion of remaining facilities or features associated with the project. Minor or incidental revenue does not meet the intent of criteria in this Paragraph. Minor amounts of revenue not representative of overall project revenue generation capability do not suffice as justification to transfer. When an asset is placed in service (see Paragraph 6.D.), the associated costs are transferred to the appropriate construction/plant account(s), i.e., SGL 1730 – *Buildings* or SGL 1740 – *Other Structures and Facilities*.
- (2) **Construction in Abeyance.** Standard general ledger account 172B – *Construction-in Abeyance* is used to report costs incurred for programs or features that have been indefinitely suspended or terminated (but not officially de-authorized by Congress). Capitalized costs incurred for a program or feature that is not providing authorized project purposes, benefits, or services will be transferred out of SGL 1720 and into SGL 172B if it meets the criteria established in RM [Plant Accounting - Construction in Abeyance](#) (FIN 07-20-10(B)(8)). The status of completion is not a consideration for such a transfer.

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- (3) **Completed Plant (Plant in Service).** Costs are transferred out of CIP and into one or more plant SGL accounts once all three criteria for transfer, described in Paragraph 2.A.(1) – Construction in Progress, to plant in service have been met. Reclamation uses the following completed plant SGL accounts:
 - (a) SGL 1740 – *Other Structures and Facilities*, and
 - (b) SGL 1730 – *Buildings*.
- (4) **Congressional De-authorization of a Project or Feature.** Just as Congress has the authority to authorize the construction of a project, they can also de-authorize a project or a feature within a project. Congress must include language in either an independent piece of legislation or in Reclamation's appropriation bill to de-authorize a project or feature. All capitalized costs incurred for the de-authorized project or feature(s) must be expensed in the period of de-authorization.

B. Costs.

- (1) Capitalized general PP&E shall be recorded at cost. Capitalized construction costs include contract costs, non-contract costs, direct labor and material costs, and indirect costs related to the construction of general PP&E. All of these costs are initially recorded in the CIP SGL account. Per FASAB [SFFAS No. 6](#), paragraph 26 costs incurred to bring an asset to its intended use may include the following:
 - (a) amounts paid to vendors;
 - (b) transportation charges to the point of initial use;
 - (c) handling and storage costs;
 - (d) labor and other direct or indirect production costs (for assets produced or constructed);
 - (e) engineering, architectural, and other outside services for designs, plans, specifications, and surveys (note that these costs are only capitalized when they are incurred post-authorization or post-decisional);
 - (f) acquisition and preparation costs of buildings and other facilities;
 - (g) an appropriate share of the cost of the equipment and facilities used in construction work;

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- (h) fixed equipment and related installation costs required for activities in a building or facility;
 - (i) direct costs of inspection, supervision, and administration of construction contracts and construction work;
 - (j) legal and recording fees and damage claims;
 - (k) fair value of facilities and equipment donated to the Government (note that this value is generally an estimate and is not recorded until title has transferred to Reclamation); and
 - (l) material amounts of interest costs paid.
- (2) Reclamation-specific costs that are also recorded in the CIP SGL account are:
- (a) interest during construction (IDC) (see RM [Interest During Construction](#) (FIN 07-20-10(A)),
 - (b) certain post-authorization or post-decisional investigation or study costs attributable to the asset being constructed,
 - (c) certain post-authorization or post-decisional cultural resource or archaeology costs attributable to the asset being constructed, and
 - (d) temporary easements directly attributable to the asset being constructed (refer to RM [Plant Accounting – Land](#) (FIN 07-20-10(B)(4)), for requirements regarding permanent or perpetual easements).
- (3) The Safety of Dams (SOD) program has its own unique criteria for determining when to begin capitalizing costs and for determining what costs are capitalized. Detailed SOD financial policy and procedures will be developed and published in a separate RM release at a future date.
- (4) The 18-digit cost structure(s) used to capture CIP costs must be established with the appropriate construction/ plant accounts in the first three digits of the job; also referred to as Plant No. in [Appendix A](#). Refer to this appendix for a list of the construction/ plant accounts and RM D&S, [Standard General Ledger \(SGL\) Chart of Accounts](#) (FIN 04-20, [Appendix A](#)) for requirements on establishing cost structures. Documentation must be provided to support establishing capitalized cost structures. The documentation must include evidence that construction has been authorized by Congress or that Reclamation management has

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made an official decision to construct. The support documentation must also provide evidence that Reclamation owns the asset(s) being constructed or that some other generally accepted accounting principle supports the capitalization of costs to be charged to the cost structure.

C. Analysis.

- (1) Regional finance officers are responsible for analyzing the status of **all** programs or features accounted for in the CIP SGL account 1720 **at least annually** and will coordinate with the appropriate program managers to facilitate this analysis. The purpose of the analysis is to identify if programs or features:
 - (a) met the three key criteria and should be transferred to the appropriate completed plant account(s) (refer to the CIP definition, Paragraph 2.A.(1));
 - (b) have been suspended or terminated and should be transferred to construction in abeyance (refer to RM [Plant Accounting - Construction in Abeyance](#), (FIN 07-20-10(B)(8)), for specific requirements);
 - (c) have active construction activity and still belong in CIP; or
 - (d) have been de-authorized and must be expensed.
- (2) Special attention will be paid to programs or features where current year costs are less than 10 percent of the total-to-date CIP costs.
- (3) All regions are to use the *Construction in Progress Analysis Form* ([Appendix B](#)) to facilitate this analysis. The regional finance officers will prepare the form and forward it to appropriate program managers. The program managers will use the form to provide:
 - (a) the status of every program or feature recorded in SGL 1720,
 - (b) the estimated completion dates for all features not marked as substantially complete,
 - (c) estimated cost to complete, and
 - (d) other pertinent comments.
- (4) On a quarterly basis, the regional finance officer will review all CIP programs or features that had a projected completion date for the current

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or subsequent fiscal year. The prior year annual CIP analysis is used to determine which projects to include in the current year quarterly review. Quarterly, the regional finance officer will submit a status request to the appropriate program manager for each project being reviewed unless the program manager's previous response clearly eliminates the need for subsequent quarterly follow up until the fourth quarter analysis.

- (5) Based upon the program manager's response, the regional finance officer will determine if a transfer out of CIP is appropriate. The regional finance officer will coordinate with the program manager when making the determination to transfer costs to other structures and facilities or to construction in abeyance. The *Construction in Progress Analysis Form* ([Appendix B](#)) will be used to document the determination and will be maintained in the regional finance office to support any associated accounting transactions. Outstanding transactions such as pending claims or litigation, or minor termination work must not delay a transfer out of CIP.

D. Process for Transferring Costs Out of CIP.

- (1) **Quarterly Transfers.** All accumulated capitalized costs associated with a program or feature are transferred to the appropriate completed plant account or construction in abeyance account once the decision has been made that a transfer is appropriate. Transfers for programs or features during **the first three quarters** of the fiscal year will be accomplished prior to the end of the respective quarter. Transfers for programs or features during the **fourth quarter** of the fiscal year will be accomplished by August 31. **Fourth quarter** transfers will be based upon costs incurred through July 31.
- (2) **Substantially Complete during August or September.** Any programs or features with a completion date that falls within the last two months of the fiscal year shall be considered substantially complete as of fourth quarter. If the program or feature will meet the other two key criteria prior to the end of the fiscal year, costs shall be moved to the appropriate completed plant account(s) by August 31. Accurate depreciation, interest during construction (IDC) and interest on investment (IOI) calculations are dependent upon transfers being completed in a timely manner and in the appropriate quarter. Any program or feature that meets the three criteria for transfer to completed plant prior to the end of the fiscal year, even if it was not identified as substantially complete for the annual analysis, must be transferred to the appropriate completed plant account by September 30. The regional finance office will coordinate with the appropriate program managers to arrive at this determination. Failure to

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record transfers in the appropriate quarter will cause misstatements of CIP and completed plant balances for reporting and repayment purposes.

- (3) **Residual Costs.** August and September costs for projects previously moved to **completed** plant are assumed to be immaterial and are considered residual costs (see [Appendix C, Types of Construction Costs and Related Definitions](#)). Residual costs will be moved to plant by August 31 of the subsequent year and considered for depreciation purposes at that time.
- (4) **IDC and IOI.** Requirements on the initiation, computation, and discontinuance of IDC can be found in RM [Interest During Construction \(IDC\)](#) (FIN 07-20-10(A)). Requirements on the initiation, computation, and termination of IOI can be found in RM [Interest on Investment \(IOI\)](#) (FIN 06-30(C)). The DOI Financial Statement Preparation guidance has established a quarterly reporting frequency for transactions such as IDC and IOI for the Chief Financial Officer (CFO) financial statements. The CFO financial statement IDC and IOI amounts can be based upon actual or estimates. Currently, only an annual entry is required for actual IOI and IDC. The FPD will provide additional requirements if the frequency for recording actual IDC and IOI changes, and the appropriate RM FIN releases will be updated.
- (5) The vouchers prepared to transfer costs between CIP and completed plant, construction in abeyance, or expense due to de-authorization are designated for permanent retention at the region. An SX document must be used to record the transfer unless the destination project does not receive a budget allocation. An SF document with an unfunded accounting model must be used when the destination project does not receive a budget allocation. Use vendor code SXGENBOR-1 for all transfers between CIP and plant. Transfers between CIP and plant must never cross funds.
- (6) The supporting documentation for transfers between CIP and completed plant, construction in abeyance, or expense due to de-authorization are designated for permanent retention at the region. Adequate documentation to support such transfers in the accounting and property records is essential. The initial transfer authorization must be attached to the initial standard/journal voucher. The engineer, program manager, or regional program manager, as applicable to each region, will complete a document similar to the attached *Transfer to Plant in Service* form ([Appendix D](#)) to start the transfer process. **At a minimum**, transfer support documentation must include the following:
 - (a) project number and name;

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- (b) program or feature number and description;
- (c) date the program or feature is considered substantially complete;
- (d) program manager's signature or an e-mail from the program manager that:
 - (i) clearly documents the decision to transfer,
 - (ii) identifies the program manager's authority to make the decision for the program or feature, and
 - (iii) the program manger's title or position.
- (e) in lieu of a direct communication with the program manager as described in the previous paragraph, the appropriate budget analyst's signature or an e-mail from the budget analyst is adequate as long as the documentation provides confirmation that the appropriate program manager has been involved in the decision and concurs that the program or feature meets the requirements for transfer to completed plant; and
- (e) regional budget officer or finance manager's signature.

E. Coordination and Notification for Completed Transfers.

- (1) Once a transfer to plant is accomplished in the accounting records, copies of the completed *Transfer to Plant in Service* form or a similar form shall be routed to affected offices for notification purposes as applicable in each region. It is the regional finance officer's responsibility to notify the regional property office when an asset is placed in service. Ensure that any necessary follow-up actions that may be required after the initial transfer are completed. Examples of potential follow-up actions include:
 - (a) cost adjustments,
 - (b) notification to the real property inventory system,
 - (c) notification of repayment personnel,
 - (d) notification of regional economist, and
 - (e) notification of customer, as a matter of regional policy.

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F. Related References.

- (1) [U.S. Treasury Standard General Ledger \(SGL\)](#)
- (2) [FASAB, SFFAS No. 6, Accounting for Property, Plant, and Equipment](#)
- (3) [18 CFR Chap. 1, Part 101, Subchapter C - Accounts, Federal Power Act](#)
- (4) Department of Interior – [Real Property Financial Management Policy](#)
- (5) Commissioner's memorandum dated August 3, 1993, Subject: *Policy, Recovery of Operation, Maintenance, and Replacement Expenses (O&M Status)*
- (6) [Replacements - Units, Service Lives, Factors, Limited Update - May 2006](#)
(a joint publication of Reclamation and the Western Area Power Administration)
- (7) RM D&S, [Standard General Ledger \(SGL\) Chart of Accounts](#), FIN 04-20
- (8) RM, [Interest on Investment \(IOI\)](#), FIN 06-30(C)
- (9) RM, [Interest During Construction \(IDC\)](#), FIN 07-20-10(A)
- (10) RM, [Plant Accounting – General Property, Plant, and Equipment](#),
FIN 07-20-10(B)(2)
- (11) RM, [Plant Accounting – Land](#), FIN 07-20-10(B)(4)
- (12) RM, [Plant Accounting - Construction in Abeyance](#), FIN 07-20-10(B)(8)
- (13) RM, [Plant Accounting - Non-Traditional Assets](#), FIN 07-20-10(B)(9)
- (14) RM, [Computer Software Costs](#), FIN 07-20-10(C)
- (15) RM, [Plant Depreciation](#), FIN 07-20-20(A)