

Reclamation Manual

Directives and Standards

Subject:	Plant Accounting - Construction in Abeyance
Purpose:	Establishes requirements for valuation and accounting for investment in general property, plant, and equipment held for operating purposes when construction is in abeyance. This Directive and Standard (D&S) benefits the Bureau of Reclamation by providing criteria for transferring facilities to construction in abeyance (CIA), which will help ensure that these facilities are properly reported in the financial statements.
Authority:	Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, <i>Accounting for Property, Plant, and Equipment</i> and the U.S. Treasury Standard General Ledger (SGL).
Approving Official:	Director, Management Services Office
Contact:	Business Analysis Division (BAD), Financial Policy, Compliance, and Audit Team (FPCAT) by calling (303) 445-3430

1. **Introduction.** Reclamation property, plant, and equipment (PP&E) are classified as general PP&E in accordance with the FASAB SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Reclamation's general PP&E consists of land, construction in progress, CIA, buildings, other structures and facilities, data processing software, and equipment.
2. **Applicability.** This D&S applies to all Regional Finance Offices and addresses the criteria and process for transferring facilities to CIA. Other PP&E accounts are addressed in the FIN 07 series.
3. **Definitions.**
 - A. **Construction in Abeyance.** The CIA account is used to report costs incurred for programs of 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 from SGL 1720, Construction in Progress to SGL 172B, CIA if the transfer criteria discussed in Paragraph 5.A. below is met.
 - B. **Construction in Progress.** The CIP account is used to capture ongoing construction costs incurred for new construction, replacements, or new additions for Reclamation-owned PP&E. Refer to Reclamation Manual D&S, *Plant Accounting - Construction in Progress (CIP)* ([FIN 07-24](#)) for additional information on this account, including costs that should be included in this account and the criteria for transferring CIP to plant in service.

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- C. **Interest During Construction.** In accordance with Reclamation law, i.e., the Reclamation Act of 1902 (32 Stat. 388) and all legislation which amends or supplements this Act, costs allocated to certain project purposes, e.g., irrigation, municipal and industrial (M&I) water, and hydroelectric power, are reimbursable from project beneficiaries. In addition, costs allocated to M&I water and hydroelectric power are interest-bearing, i.e., interest is computed on these costs, which is recovered from project beneficiaries. Refer to Reclamation Manual D&S, *Interest During Construction (IDC)* ([FIN 07-20-10](#)) for procedures on calculating and recording IDC.
- D. **Plant in Service.** The plant in service account represents facilities that are providing the intended project benefits or services. Costs are transferred from CIP to plant in service when facilities are substantially complete, begin providing the intended project benefits or services, and begin generating project revenue, when applicable.
4. **Responsibilities.**
- A. **Regional Finance Officers.** Regional Finance Officers (RFOs) will analyze CIA and CIP balances, as discussed below, to ensure that these costs are properly classified, and will transfer costs, when appropriate.
- B. **Program Managers.** Program managers will assist the RFOs in analyzing CIA and CIP accounts by providing the status of each program or feature, for which they are responsible.
- C. **Financial Policy, Compliance and Audit Team.** As requested, the FPCAT will provide policy guidance to determine when it is appropriate to transfer costs from CIP to CIA. The FPCAT will also serve as the audit liaison to address audit questions pertaining to CIA balances and transfers.
5. **Construction in Abeyance.**
- A. **Criteria for Transferring Programs or Features to Construction in Abeyance.** A program or feature must be transferred from CIP (SGL 1720) to CIA (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, based upon costs incurred through July 31. This analysis shall be facilitated with the use of the *Construction in Progress Analysis Form* ([FIN 07-24, 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 CIA, as applicable, documentation including the *Construction in Progress Analysis Form* must be maintained to support the decision.
- (2) In assessing whether CIP costs will be transferred to construction in abeyance, several factors must 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 must be further researched. For example, it must be determined whether the project has been formally suspended, terminated, or deauthorized by Congress. As discussed below, facilities which have been deauthorized by Congress must be written-off.
- (3) If a project has not been formally suspended or terminated, there may be other indications that 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 must also be given to transferring a program or feature from CIP to CIA 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 must be transferred to CIA, 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 must be transferred to plant in service.

C. Transfers to Construction in Abeyance.

- (1) The decision to transfer CIP costs to CIA must 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, must 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 must be included:

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- (a) project number and project name;
 - (b) program or feature number and program or feature description;
 - (c) reason for transferring program or feature to construction in abeyance;
 - (d) date of transfer; and
 - (e) signature of the program manager.
- (2) After the transfer is accomplished in the accounting records, copies of the transfer form or other documentation must be routed, for notification purposes, to other offices, as applicable.
- D. Valuation of Construction in Abeyance.** When programs or features are transferred to CIA, all historical costs recorded in CIP to date on those applicable programs or features must be transferred. Costs will remain in CIA 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 will be suspended after a program or feature is transferred to CIA. Any IDC, which is capitalized in the CIP account, will be included when CIP is transferred to CIA.. If CIA facilities are subsequently transferred to CIP or plant in service, IDC should not be retroactively computed and recorded. Upon transfer of these facilities to CIP or plant in service, interest will resume. Refer to FIN 07-20-10 for procedures for calculating and recording 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 will be required to keep the facilities from deteriorating and/or to protect the public health and safety. Any 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 will not be computed on these programs or features. This maintains the integrity of the matching principle.

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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 5.A.) is no longer met, the program manager will document on the *Construction in Progress Analysis Form* ([FIN 07-24, Appendix B](#)) the determination to transfer costs from construction in abeyance. Costs will be transferred from CIA to either (a) the applicable plant in service account, if the asset is substantially complete (refer to [FIN 07-24, Paragraph 2.A.\(1\)\(b\)](#) 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 must be removed from CIA, i.e., written off. Any difference between the historical cost of the programs or features and any salvage value will be recognized as a gain or loss in the fiscal year that the facilities were deauthorized. Salvage value will 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.
- (4) In general, the following represents the accounting entry for write-off of programs or features in construction in abeyance:
 - (a) Cash or Other Asset
 - (b) Loss on Disposition of Asset
 - (c) Construction in Abeyance
- (5) If facilities are abandoned without any salvage value, a loss will 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

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purpose(s), these facilities will be retained at historical cost in another asset account. Otherwise, any salvageable components will be valued at their fair value.