

Reclamation Manual

Directives and Standards

- Subject:** Reclamation Standard Water-Related Contract Articles, Standard Article 7: Examination, Inspection, and Audit of Project Works, Records, and Reports for Determining Adequacy of Operation and Maintenance
- Purpose:** To provide requirements for the content and application of Standard Article 7: Examination, Inspection, and Audit of Project Works, Records, and Reports for Determining Adequacy of Operation and Maintenance (Standard Article 7), for the benefit of supporting general policy and specific requirements set forth in Reclamation Manual Policy PEC P10, *Reclamation Standard Water-Related Contract Articles* (PEC P10).
- Authority:** The Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), especially section 6 (32 Stat. 389; 43 U.S.C. §§ 491 and 498), and acts amendatory and supplementary thereto, especially section 5 of the Reclamation Extension Act of 1914 (Pub. L. 63-170; 38 Stat. 687; 43 U.S.C. §§ 492 and 499), and subsection G of the Fact Finders' Act of 1924 (Pub. L. 68-292; 43 Stat. 702; 43 U.S.C. § 500).
- Approving Official:** Director, Policy and Administration
- Contact:** Water and Environmental Resources Division, 84-55000
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1. **Introduction.** This Directive and Standard provides the text for Standard Article 7 and addresses related requirements. Paragraph 6 of PEC P10 indicates which contracts require Standard Article 7. In general, Standard Article 7 is required where the contractor is or is expected to be responsible for operating and maintaining Federal facilities or facilities that the contractor constructed using Federal funds. It affirms the United States' authority to audit the contractor's relevant records and to access and operate the facilities under specified circumstances.
2. **Applicability.** This Directive and Standard applies to Reclamation staff and officials involved in the contracting process, as defined at Paragraph 3.A. of PEC P10, for contracts requiring Standard Article 7 under Paragraph 6 of PEC P10.
3. **Definitions.** See Paragraph 3 of PEC P10.
4. **Responsibilities.** See Paragraph 4 of PEC P10.

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5. Text of Standard Article 7.

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 and maintenance [and safety of dams] program[s]; the reserve fund; and the water conservation program including the water 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.

¹Approved 02/71; revised 09/82; 02/83 11/84; 01/02; 04/10.

²When the project works do not include a dam or 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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(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; 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 particular concerns or problems and provide

³Paragraph (e) may be modified to reflect any relevant costs for which the United States is responsible.

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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 its (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

⁴Costs of examinations and report preparation associated with facility reviews of dams are nonreimbursable.