

# Reclamation Manual

Directives and Standards

## *TEMPORARY RELEASE*

*(Expires 06/30/2017)*

<b>Subject:</b>	Determination to Suspend an Authorized Construction Activity
<b>Purpose:</b>	To establish the requirements for determining whether an authorized activity is in a state of suspension and requesting approval to designate an activity associated with construction activity as suspended. The benefit of this Reclamation Manual (RM) Directive and Standard (D&S) is the Bureau of Reclamation-wide standardization of the requirements for determining that a construction activity is suspended.
<b>Authority:</b>	The Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), and acts amendatory and supplementary thereto
<b>Approving Official:</b>	Director, Policy and Administration (POLICY)
<b>Contact:</b>	Asset Management Division (84-57000)

1. **Introduction.** Reclamation must account for all costs associated with all projects, features, and assets, including those partially constructed. Reclamation uses the Construction in Abeyance (CIA) Standard General Ledger account for costs associated with projects, features, and assets that are not complete because the activity is suspended, and which should not be accounted for in Assets Under Construction (AUC) (formerly referred to as Construction in Progress) or Plant in Service. This D&S describes the decision-making framework and responsibilities for determining that construction of a project, feature, or asset is suspended. The requirements, definitions, and process in this D&S must be used in coordination with the following RM D&Ss: *Project Management* (CMP TRMR-72), *Construction Activities* (FAC 03-02), *Design Activities* (FAC 03-03), *General Property, Plant, and Equipment (PP&E)* (FIN 07-20), *Assets under Construction (AUC)* (FIN 07-24), and *Construction in Abeyance (CIA)* (FIN 07-26).
2. **Applicability.** This D&S applies to all Reclamation employees involved in managing, overseeing, or recording financial transactions for any project, feature, or asset.
3. **Definitions.**
  - A. **Asset.** A capitalized facility, building, structure, authorized project feature, power production equipment, recreation facility, or quarters, as well as capitalized and non-capitalized heavy equipment, motor vehicles, and other installed equipment that is used to achieve the mission of Reclamation to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

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- B. **Authorized Project.** A statutorily authorized project consisting of an assembly of chief features and supporting assets required to provide the benefit(s) authorized into law by Congress. This is not synonymous with a construction activity.
- C. **Construction Activity (also known as Project).** Any non-recurring activity to develop new features or assets, or rehabilitate, renovate, or replace existing assets greater than \$100,000 or 10 percent of the annual operations and maintenance budget for the facility. A construction activity is also synonymous to a project which is a temporary endeavor undertaken to create a unique product, service, or result. A construction activity has a discrete and definable commencement and conclusion. A construction activity has a unique deliverable in that there may not be a preexisting blueprint for the construction activity's execution and there may not be a need to repeat the construction activity once completed. This definition does not determine if the cost of the effort is capitalized.
- D. **Feature.** A group of assets that are interdependent and must function together to provide an authorized project benefit.
- E. **Permanent Suspension.** A property, plant, and equipment (PP&E) construction activity status the Deputy Commissioner-Policy, Administration, and Budget (DC-PAB) and the Deputy Commissioner – Operations (DC-OP) have determined, due to financial, technical, legal, political, or other reasons, has no reasonable expectation that construction activity can be completed. The events or changes in circumstances leading to the determination are not normal and ordinary. Permanent suspension status is evident from management's documented decision of the intent to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset, or expensing costs associated with the suspended construction activity.
- F. **Project Manager.** The person assigned by Reclamation to achieve the objectives of a construction activity and to ensure completion of the construction activity on-schedule, within budget, and to the appropriate scope.
- G. **Suspension.** The status of a construction activity when it is halted and cannot proceed due to financial, technical, legal, political, or other reasons, which are not identified in the construction activity plan, or cannot be resolved within Reclamation's control.
- H. **Suspension Approval Memorandum.** A document issued by the DC-PAB which includes concurrence by the DC-OP in response to a Request for Suspension of Construction Activity from a regional director. An approval memorandum is a decisional, internal document.
- I. **Temporary Suspension.** An other than permanent PP&E construction activity status the DC-PAB and DC-OP have determined is temporarily suspended, because of

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financial, technical, legal, political, or other reasons, with a reasonable expectation construction activity can be completed in the future. Cost for activities, such as continuing low-level maintenance to sustain the asset in a recoverable status or until re-utilization efforts are exhausted, may accrue while in temporary suspension (other than permanent removable from service).

#### 4. **Responsibilities.**

- A. **DC-PAB.** The DC-PAB is responsible for approving/disapproving the Request for Suspension of Construction Activity.
- B. **DC-OP.** The DC-OP is responsible for reviewing and indicating if there is concurrence with the Request for Suspension of Construction Activity.
- C. **Director, POLICY.** The Director, POLICY is responsible for:
  - (1) reviewing every Request for Suspension of Construction Activity in coordination with the Management Services Office (MSO) to ensure the required content provides:
    - (a) the nature and scope of outstanding issues resulting in the delay,
    - (b) alternatives or options for remediating and addressing issues and the associated timeframe,
    - (c) clearly defined and justified interdependent assets, and
    - (d) the repayment impacts on beneficiaries of constructed assets;
  - (2) reviewing the regional director's concurrence with project manager's annual review of every temporarily suspended construction activity;
  - (3) developing the suspension approval memorandum for the DC-PAB and DC-OP in response to a Request for Suspension of Construction Activity for a construction activity in a state of temporary or permanent suspension; and
  - (4) based on the review of Paragraph 4.C.(1)-(3), if the actions warrant modification of the existing authorizations, developing the recommendation memorandum from the Commissioner to the Assistant Secretary for Water and Science for the altering the authorization related to the permanently suspended activity or recommend additional authority to resume the construction activity.

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**D. Director, MSO.** The Director, MSO is responsible for:

- (1) reviewing all Request for Suspension of Construction Activity in coordination with POLICY to ensure the required content provides:
  - (a) the nature and scope of outstanding issues resulting in the delay;
  - (b) cost associated with the activity are appropriately identified to facilitate the necessary accounting transactions;
  - (c) consistency with accounting standards for full and partial impairment; and
  - (d) the repayment impacts on beneficiaries of constructed assets; and
- (2) ensuring all costs are transferred in accordance with the approval memorandum within the requisite timeframes.

**E. Regional Directors.** Regional directors are responsible for:

- (1) reviewing, evaluating, and submitting to POLICY, requests from project managers that recommend, document, and solicit the DC-PAB's and DC-OP's determination of construction activity suspension;
- (2) annually reviewing the status of all suspended construction activities, indicating their concurrence with the initial status determination or the project manager's recommendation for a status change, and forwarding the concurrence to POLICY; and
- (3) disseminating the signed suspension approval memorandum to the appropriate offices.

**F. Project Managers.** Project managers are responsible for:

- (1) continually monitoring construction activity and identifying significant barriers such as financial, technical, legal, political, etc., that prevent the completion of a construction activity;
- (2) recommending suspension of construction activity when the conditions in Paragraph 6.A. are met;
- (3) preparing the required documentation per Paragraph 6.B. for submission to the regional director;

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- (4) performing an annual evaluation by the end of March of temporarily suspended construction activities and documenting efforts made to resolve the suspension and/or any changes in the status;
- (5) for all temporarily suspended construction activity, submitting an updated status to the regional director either reaffirming the initial request or making a recommendation for a status change (in-progress or permanent suspension);
- (6) providing a copy of the updated status, signed by the regional director, to POLICY and the regional finance office; and
- (7) preparing the required documentation for any change in status (i.e., Request for Suspension of Construction Activity for concurrence by the DC-OP and the DC-PAB's approval to change status from temporary suspension to permanent or the regional director's concurrence to resume construction activity).

**G. Regional Finance Officers.** Regional finance officers, in conjunction with the program managers, are responsible for processing the appropriate accounting transactions to transfer costs to and from CIA in accordance with FIN 07-26.

**5. Construction Activities Recorded in CIA Prior to the Date of this D&S.** The DC-PAB must make a determination on all construction activities recorded in CIA prior to the date of this D&S that the construction activity is in temporary or permanent suspension following the procedures described in Paragraph 6 below. The regional director can approve any recommendation that the construction activities can resume or that the costs cannot be retained in CIA and must be written off or transferred to Plant in Service without a DC-PAB determination.

**6. Request for Suspension of Construction Activity.**

A. If the construction activity is not able to proceed due to financial, technical, legal, political, or other reasons that are not projected to be resolved within 3 years<sup>1</sup>, the project manager will prepare a memorandum requesting a suspension status designation of the construction activity. The regional finance officer will not initiate the accounting processes to transfer costs relating to the activity from AUC or Plant in Service to CIA until a signed suspension approval memorandum is received.

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<sup>1</sup>This includes those activities whose related costs recorded in the CIA general ledger accounts as the release date of this D&S. Three years is based on the reasonable time to secure additional funding within the agencies budget cycle.

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- B. The Request for Suspension of Construction Activity must include the following information:
- (1) Citation of the construction activity authorization. Identify the legal authority relating to the activity, and the relevant authorized or mandated activities, including any authorized project-specific authorities or restrictions that materially affect the activity.
  - (2) Description of construction activity and scope of activity, including the initially intended purposes and beneficiaries. State the name or service area of contractors involved in the activity.
  - (3) Detailed description of the current nature of suspension for a construction activity. Identify if the suspension is temporary or permanent. This must include the scope of tasks completed to date, including studies or surveys, as well as the construction activities that are subject to the suspension. Include any assets that have not been completed or started, their intended use and function, including inter-dependency with other assets, and the intended future use of asset.
  - (4) Description of type, purpose, and amount of costs incurred to date.
  - (5) Identification of assets, if any, constructed under this activity. Include all relevant construction activity, including activity by cost-share partners, contractors, or other parties, and repayment impact on beneficiaries.
  - (6) For any constructed asset, a description of its intended use and function including inter-dependency on other assets, the current use of the asset, if any, and the intended future use of the asset.
  - (7) Description of any maintenance activities conducted, including the amount of funds spent annually on maintenance activities for the past 5 years.
  - (8) Description of the nature and cause of the delay inhibiting the construction activity (i.e., financial, technical, legal, political, or other reasons), and the actions needed to resolve the delay.
  - (9) Description of factors that could impact the benefits associated with completing this construction activity, including, where applicable:
    - (a) any evidence of physical damage;
    - (b) enactment or approval of laws or regulations which limit or restrict the use of the asset(s);

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- (c) changes in environmental or economic factors;
  - (d) technological changes or evidence of obsolescence;
  - (e) changes in the manner or duration of the use of the asset(s); and
  - (f) the length of the delay or period in which the asset was idled or unserviceable.
- (10) Describe any plans or evidence of intent to continue construction on the asset or to replace or restore the service of the asset (remediate), funding received to continue construction or remediate the asset, and any similar instances of continuing construction, or otherwise remediating the asset.
- (11) If requesting a permanent suspension, describe each specific reason cited and why the issue cannot be resolved.
- C. Regional directors will review and evaluate the project manager's recommendation for suspension and transmit the recommendation and request for approval by the DC-PAB to POLICY. A construction activity is not suspended until approved by the DC-PAB.

## 7. Process Requirements.

- A. POLICY will coordinate with MSO in the review of the Request for Suspension of Construction Activity, request additional information from the respective region if applicable, and prepare the suspension approval memorandum for concurrence by the DC-OP and the DC-PAB's signature.
- (1) A formal determination will be made to determine if a construction activity is in a state of temporary suspension. Reclamation will transfer the associated costs to the CIA account and document the final decision as described in this D&S.
  - (2) A formal determination will be made to determine if a construction activity is permanently suspended. Reclamation will write down the associated costs utilizing a memo account.
- B. Each request will be reviewed to consider the nature and scope of outstanding issues resulting in the delay; alternatives or options for remedying and addressing issues and the associated timeframe; repayment impacts on the beneficiaries of constructed assets; clearly defined and justified interdependent assets; whether costs associated with the activity are appropriately identified to facilitate the necessary accounting transactions;

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and if there are any issues relating to current authority are needed as documented in the request. MSO will also ensure the request meets the accounting standards for full or partial impairment.

#### **8. Determination of Temporary Suspension.**

- A. POLICY will distribute the signed suspension approval memorandum to the appropriate regional director for dissemination. Upon receipt, the regional finance office will transfer the relevant costs from AUC or Plant in Service to CIA in accordance with FIN 07-26 within 60 days from receipt of the DC-PAB's approval. The regional finance office must have documentation of the DC-PAB's determination of construction activity suspension before performing any accounting transactions to transfer costs into CIA.
- B. If the DC-OP does not concur or the DC-PAB does not approve the determination of temporary suspension of a construction activity, the regional finance office will not move the associated costs and will continue to account for the cost consistent with existing accounting practices and guidelines.

#### **9. Determination of Permanent Suspension.**

- A. POLICY will distribute the signed suspension approval memorandum to the appropriate regional director for dissemination. Upon receipt, the regional finance office will transfer the relevant costs from AUC, Plant in Service, or CIA in accordance with FIN 07-26 within 60 days from receipt of the DC-PAB's approval. The regional finance office must have documentation of DC-PAB's determination of construction activity suspension before performing any accounting transactions. POLICY will develop the recommendation memorandum from the Commissioner to the Assistant Secretary for Water and Science for the altering the authorization related to the permanently suspended activity or recommend additional authority to resume the construction activity.
- B. If the DC-OP does not concur or the DC-PAB does not approve the determination of permanent suspension of a construction activity, the regional finance office will not move the associated costs and will continue to account for the cost consistent with existing accounting practices and guidelines.

#### **10. Annual Review of Temporarily Suspended Construction Activities.**

- A. The project manager assigned to the construction activity will review each temporarily suspended construction activity annually and submit an update to the regional director by the end of the March. The update to the regional director will document activities and efforts made during the previous 12 months to resolve issues causing suspension of the construction activity. Regional directors will review the changes and indicate if they



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are in concurrence with the initial status determination or the project manager's recommendation for a status change by the end of April. The regional directors will submit a copy of the review to POLICY and the regional finance office.

- B. If the project manager determines, based on the annual review, new information for a temporarily suspended activity warrants altering the status to permanent suspension, the project manager will follow the procedures described in Paragraph 6 to request a determination for permanent suspension from the DC-PAB.
- C. If the project manager determines, based on the annual review, the construction activities can resume, the project manager will submit a memorandum to the regional director, including any changes in the information listed in Paragraph 6, for concurrence. Regional directors will review the changes and indicate if they are in concurrence.
- D. When the regional director concurs that a construction activity can resume, the regional finance office will transfer the relevant costs from CIA to the AUC account in accordance with FIN 07-26 within 60 days from receipt of the regional director's concurrence. The regional finance office must have documentation of the regional director's concurrence that the temporarily suspended construction activity can resume before performing any accounting transactions transferring costs from CIA.

## RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: \_\_\_\_\_

Release No. \_\_\_\_\_

Ensure all employees needing this information are provided a copy of this release.

### Reclamation Manual Release Number and Subject

### Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

### Filing instructions

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Filed by: \_\_\_\_\_

Date: \_\_\_\_\_