

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/01/2017)

Subject:	Transfer of Operation and Maintenance (O&M) Responsibility of Project Works
Purpose:	To establish procedures and requirements for transferring O&M of project works, including Safety of Dams (SOD) modifications, from: construction status to Reclamation O&M status; or construction status or Reclamation O&M status to water user organization O&M status.
Authority:	Reclamation Project Act, Section 6 (Act of June 17, 1902; 32 Stat. 389; 43 USC 491, 498); and Reclamation Extension Act, Section 5 (Act of August 13, 1914; 38 Stat. 687; 43 USC 492, 499)
Approving Official:	Director, Policy and Administration (POLICY)
Contact:	Asset Management Division, 84-57000

1. **Introduction.** This Directive and Standard (D&S) defines the procedures and requirements for transferring O&M of project works, including SOD modifications, from: construction status to Reclamation O&M status; or construction status or Reclamation O&M status to water user organization O&M status. The requirements, definitions, and process in this D&S must be used in coordination with the following Reclamation Manual (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)*, and *Plant Accounting – Construction in Progress (CIP) (FIN 07-24)*.
2. **Applicability.** This D&S applies to all Reclamation employees involved in managing, overseeing, or transferring construction activities, including SOD modifications, at all Reclamation facilities.
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.
 - 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 or a project as

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defined in CMP TRMR-72. The manager responsible for managing an authorized project (i.e., area manager) is not typically a project manager (PM) of a construction activity.

- C. **Construction Activity.** For the purpose of this D&S, any non-recurring activity to develop new features or assets, or rehabilitate, renovate, or replace existing assets. A construction activity meets the definition of a project.
- D. **Feature.** A group of assets that are interdependent and must function together to provide an authorized project benefit as defined in the project plan and supported by engineering data.
- E. **Interdependent Assets.** The aggregation of multiple assets that are functionally or operationally dependent. All of the interdependent assets must function in order to deliver the designed benefit or perform the design operation.
- F. **Project.** A temporary endeavor undertaken to create a unique product, service, or result.¹ A project has a discrete and definable commencement and conclusion. A project has a unique deliverable in that there may not be a preexisting blueprint for the project's execution, and there may not be a need to repeat the project once it has been completed.
- G. **Project Manager or PM.** As it applies to construction activities, 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.
- H. **Substantial Completion.** When a determination, via concurrence of the regional director (RD), has been made that a stage of construction, a construction activity, or designated portion of the construction activity is sufficiently complete, so that Reclamation may use, operate, or occupy the key elements of the construction activity or designated portion thereof for the intended purpose. This determination is made in accordance with the criteria established in the construction activity project management plan.

¹Project Management Institute. *A Guide to the Project Management Body of Knowledge: PMBOK® Guide*, 5th Edition, Newtown Square, PA: Project Management Institute, 2013, p. 3.

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4. Responsibilities.

A. **RDs.** RDs are responsible for:

- (1) concurring with the determination that an activity is complete and can be operated; and
- (2) implementing the necessary procedures to implement this D&S within 90 days.

B. **Regional Finance Officers (RFOs).** RFOs are responsible for:

- (1) transferring assets under construction (AUC) to plant; and
- (2) implementing policy and ensuring adequate procedures and controls are in place to ensure accurate and timely reporting of cost.

C. **PMs.** PMs are responsible for:

- (1) in addition to performing the functions in CMP TRMR-72, determining if the construction activities meet the criteria for substantial completion in the construction activity project management plan;
- (2) completing the requirements for construction closeout per FIN 07-24 and FAC 03-03 ensuring compliance with laws and regulations related to repayment, cost allocation, and recovery of interest expense;
- (3) preparing and coordinating O&M transfer inspection;
- (4) preparing and coordinating approval by the responsible area office(s);
- (5) coordinating concurrence with RD; and
- (6) coordinating with RFO and completing the requirements for construction closeout per FIN 07-24 and FAC 03-03.

D. **Area Managers.** Area managers are responsible for:

- (1) participating in O&M transfer inspections;
- (2) reviewing and approving O&M transfer inspections;
- (3) transmitting the O&M transfer inspection report to the operating entities if applicable; and

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(4) transmitting copies of the final transfer inspection report with RD concurrence.

5. **Types of Transfers.**

A. **Criteria for Transfer to Plant.** Once the RD concurs that construction activity is substantially complete via approval of the transfer report, the RFO moves the costs (including the non-Federal partner's cost) from AUC to the appropriate plant account in accordance with FIN 07-24. If Reclamation constructs the asset for another Federal agency, the regional finance office transfers the asset to plant, and then transfers the asset to the other Federal agency. The construction activity must have RD concurrence before the regional finance office transfers costs to completed plant. This criteria also applies to assets constructed for non-Federal entities in which case the transfer to the non-Federal entity would occur when the activity is considered substantially complete.

B. **Transfer From Construction Status to Reclamation O&M Status.** Effective with the transfer of a facility from construction to Reclamation O&M status, responsibility for O&M passes from the construction activity lead to the respective area manager. Title to all project works will remain with the United States unless and until the Congress of the United States provides otherwise. The transfer will not preclude later charges to the principal obligation for completions and corrections found necessary and documented during transfer inspections.

C. **Transfer From Construction Status or Reclamation O&M Status to Water User Organization O&M Status.** Reclamation law provides for the transfer of the responsibility for O&M of constructed facilities to water users or other legally authorized organizations. Title to all project works will remain with the United States unless and until the Congress of the United States provides otherwise. The transfer will not preclude later charges to the principal obligation for completions and corrections found necessary and documented during transfer inspections. In the event the Congress of the United States determines that title to be transferred upon completion, responsibility for O&M passes to the transferee following RD concurrence.

6. **Facilities, Equipment, and Supplies.** Features and/or assets resulting from a construction activity will be transferred from AUC to plant. Title to the facilities will remain with the United States unless and until the Congress of the United States provides otherwise. Title to equipment and supplies may be transferred provided appropriate arrangements for repayment are made.

A. Under certain conditions, some facilities may be held as "reserved works" (i.e., those required for protection of Government works or those serving multiple purposes or several irrigation entities), and it may be appropriate to hold some of the equipment for the same reasons.

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- B. When not required for reserved works, equipment may be used by a water user organization for O&M of facilities placed in its care under rental agreements or other appropriate controls to ensure proper cost distribution among the different purposes or entities. Replacement cost of O&M equipment during Reclamation O&M will be charged to construction or O&M accounts, as appropriate. If used jointly, the cost will be assigned in proportion to use.
 - C. When O&M of the equipment is transferred to a water user organization, replacement is the responsibility of that organization. If there are power contracts which relate to the facilities, they will be revised or created as necessary.
- 7. Regional Implementing Instructions.**
- A. RD will develop the necessary regional implementing instructions within 90 days of the release of this D&S.
 - B. Project management plans for any construction activity in progress as of the approval date of this D&S will be modified, at a minimum, to include the criteria for substantially complete including any asset interdependencies within 9 months or prior to the project closeout, whichever comes first.
- 8. Process.**
- A. PM reviews construction activities and determines that the criteria for substantial completion have been met per the construction activity project management plan.
 - B. PM notifies RFO, area manager, and operating entity or operating office, as applicable, that all elements of the construction activity are complete.
 - C. PM prepares a description of the construction stage(s) to be inspected as the basis for determining the construction activity substantially complete, important or unusual problems, such as contract considerations, and the proposed date(s) of the transfer inspection. If the transfer involves a SOD modification, information on the design intent (i.e., risk reduction) will be included.
 - D. PM sends the document developed in Paragraph 8.C. through the responsible engineer of record, or the SOD office for SOD modifications, to the Reclamation area office having jurisdiction over the facility being transferred (responsible operating office) and, if applicable, the operating entity.
 - E. The responsible operating office will indicate their approval that the basis for determining the construction activity is substantially complete has been met.

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- F. PM schedules the transfer inspection to include representatives from the office in charge of construction inspection, a safety and occupational health specialist, the office who will be doing future routine O&M inspections, the Reclamation area office responsible for operating and maintaining the constructed assets or features, and the Reclamation area office, based on whether the facility was a SOD modification, constructed under Denver- or regional-issued specifications, or in Reclamation O&M status. Those responsible for the design will participate in the transfer inspection, if applicable.
- G. The transfer inspection will, at a minimum, address the following:
- (1) A general description of the facility being transferred, including equipment and buildings. If it is a SOD modification, state purpose.
 - (2) A description of the general condition and sufficiency of the structures and equipment being transferred.
 - (3) The availability of necessary equipment and instructions, required construction documentation, including Designers' Operating Criteria, Design Summary, revised Standing Operating Procedures, Emergency Action Plan, first filling and monitoring criteria, and other appropriate operating documents. Where the required instructions and documentation are not completed, a schedule for their completion will be included.
 - (4) The status of "as-built" drawings and a construction report. These documents are to be finalized within 3 months of the RD's concurrence that the construction activity is substantial complete. The cost to prepare the drawings and report will be charged to construction funding. If the drawings and construction report are not completed at the time of transfer, a schedule for their completion will be included.
 - (5) Any construction decisions affecting the operation of the facilities that impacted the performance, efficiency, or reliability of the facility.
 - (6) Deficiencies found during the inspection with information on which organization is responsible for correcting each deficiency and the funds to be used in accordance with existing budgetary policies. Include work items needing completion, recommendations made during the transfer inspection, observations not considered construction deficiencies but which would be valuable information for future examiners, and photographs of newly constructed or modified features as well as other items noted in the inspection report for future reference.

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9. **Transfer Inspection Report Contents.** The PM will prepare the transfer inspection report to address the following:
- A. The specifications number.
 - B. The original transfer date and O&M history of the facilities, citation of project authority, authority for transfer, contract number, and/or effective date of any repayment contract, as appropriate. (Note that contracts for repayment of construction costs for specific project works describe the responsibilities and liabilities of each party relative to O&M of the project works.)
 - C. The Reclamation office or water user organization to which the facility is being transferred.
 - D. The date of the transfer inspection.
 - E. The effective date of the transfer based upon the date of the RD concurrence.
 - F. A description of the general condition and sufficiency of the structures and equipment being transferred including construction decisions affecting the feature or assets during the construction activity.
 - G. The necessary equipment and instructions, required construction documentation, including Designers' Operating Criteria, Design Summary, revised Standing Operating Procedures, Emergency Action Plan, first filling and monitoring criteria, and other appropriate operating documents. Where the required instructions and documentation are not completed, a schedule for their completion will be included.
 - H. The status of "as-built" drawings and a construction report. These documents are to be finalized within 3 months of completion of construction. The cost to prepare the drawings and report will be charged to construction funding. If the drawings and construction report are not completed at the time of transfer, a schedule for their completion will be included.
 - I. Deficiencies found during the inspection with information on which organization is responsible for correcting each deficiency and the funds to be used in accordance with existing budgetary policies. Include work items needing completion, recommendations made during the transfer inspection, observations not considered construction deficiencies but which would be valuable information for future examiners, and photographs of newly constructed or modified features as well as other items noted in the inspection report for future reference.

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10. **Transfer Inspection Report Routing and Copies.** Following the transfer inspection and upon a decision that the all project facilities are substantially complete, the PM transmits the Transfer Inspection Report to the area manager for approval.
- A. When facilities are being transferred to an operating entity, the area manager transmits the report and the transfer concurrence memorandum (Appendix A) to the operating entity for review and concurrence pursuant to the applicable O&M transfer agreement.
 - B. Upon receipt of the operating entity's concurrence, the area manager transmits the report to the RD for concurrence. After concurrence signature by the RD, the area office will send a copy of the inspection report to POLICY, Attention: 84-57000, within 90 days of the inspection. Copies of the report will also be sent to specific offices within the region and area offices which need to be aware of the official transfer, to the water user organization, if appropriate, and to those who participated in the transfer inspection. An example of a transfer concurrence memorandum is attached as Appendix A.
11. **Cost of a Transfer Inspection.** For a facility being transferred from construction status to Reclamation or water user O&M status, the cost for conducting the transfer inspection will be charged to construction funding. For a facility being transferred from Reclamation O&M status to water user O&M status, the cost for conducting the transfer inspection will be treated as a project-specific O&M cost.
12. **When to Transfer.** The transfer from construction status to O&M status will occur as soon as the RD has concurred with the transfer inspection report indicating that the facility can be operated, used or occupied. The PM will prepare the transfer to plant in-service form (see Appendix D of FIN 07-24) and transmit the form to the RFO as indicated in FIN 07-24. The transfer to O&M will coincide with the RFO's transfer from AUC to plant.

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

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: _____

Date: _____