

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

Subject:	Construction in Abeyance (CIA) and Impaired Assets
Purpose:	Establishes requirements for valuation and accounting for investment in general property, plant, and equipment (G-PP&E) held for operating purposes when construction is suspended or Plant in Service (Plant) is partially or fully impaired and an annual review of all balances reported in CIA. This Temporary Reclamation Manual Release (TRMR) benefits the Bureau of Reclamation by providing criteria for transferring construction activities to CIA and reporting the impairment of G-PP&E, which will ensure Reclamation properly reports these cost in the financial statements.
Authority:	Reclamation Project Act of 1939 (Pub. L. 76-260; 43 USC 485) as amended; Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS No. 6 , <i>Accounting for Property, Plant, and Equipment</i> ; FASAB SFFAS 44 , <i>Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use</i> ; and FASAB Technical Release (TR 14 , <i>Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment</i>
Approving Official:	Director, Management Services Office (MSO)
Contact:	Business Analysis Division, Compliance and Audit Team (CAT) (84-27410)

- 1. Introduction.** Reclamation capitalizes costs incurred for G-PP&E in accordance with the SFFAS 6, and Reclamation Manual (RM) TRMR, *General Property, Plant, and Equipment* (FIN TRMR-93). Reclamation records impairments, disposals, and removal from service in accordance with SFFAS 6, SFFAS 44, and TR 14. Reclamation uses the CIA standard general ledger account to record costs associated with temporarily suspended construction activities that Congress has not de-authorized. Reclamation's G-PP&E includes land, assets under construction (AUC) (formerly construction in progress (CIP)), CIA, buildings, structures, data processing software, and equipment.
- 2. Applicability.** This TRMR applies to all Reclamation staff involved in managing, overseeing, or recording financial transactions for any project, feature, or asset. This TRMR does not apply to internal use software; refer to RM D&S, *Computer Software Costs* ([FIN 07-32](#)).

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

3. Definitions.

- A. **Assets Under Construction or AUC.** Also referred to as CIP. Reclamation records G-PP&E construction that meets the requirements for capitalization in AUC until the work is substantially complete. Refer to RM TRMR, *Assets under Construction (AUC)* (FIN TRMR-92) for additional information on this account, including costs one should include in AUC and the criteria for transferring AUC to Plant.
- B. **Construction Activity.** See RM TRMR, *Determination to Suspend an Authorized Construction Activity* (CMP TRMR-88) for definition.
- C. **Construction in Abeyance or CIA.** Construction activities Reclamation identified as suspended or terminated and classified as temporarily suspended by management as outlined in CMP TRMR-88.
- D. **Impairment.** A significant and permanent decline, in whole or in part, whether gradual or sudden, in the service utility of G-PP&E. The events or changes in circumstances leading to impairments are not normal and ordinary. That is, at the time Reclamation acquired the G-PP&E, Reclamation would not expect the event or change in circumstance to occur during the useful life of the G-PP&E or, if expected, sufficiently predictable to be applicable in estimating the G-PP&E's useful life.
- E. **Integrated Software.** Reclamation considers software integrated into and necessary to operate G-PP&E, rather than perform an application, to be part of the G-PP&E of which it is an integral part. Reclamation capitalizes and depreciates these accordingly.
- F. **Interest during Construction (IDC).** Interest accumulated during the construction period. Refer to RM D&S, *Interest during Construction (IDC)* ([FIN 07-21](#)) for procedures on calculating and recording IDC.
- G. **Internal Use Software.** Software purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet the entity's internal or operational needs. Refer to FIN 07-32 for additional information.
- H. **Permanent Suspension.** A G-PP&E construction activity status management (as defined in CMP TRMR-88) has determined, due to financial, technical, legal, political, or other reasons, **has no reasonable expectation** that Reclamation can complete the construction activity. 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.

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

- I. **Service Utility.** The service utility of G-PP&E is the usable capacity we expect to use to provide service upon acquisition; distinguished from the level of utilization, which is the portion of the usable capacity currently used.
- J. **Temporary Suspension.** An other than permanent G-PP&E construction activity status management (in accordance with CMP TRMR-88) has determined is temporary, because of financial, technical, legal, political, or other reasons, **with a reasonable expectation construction activity or return of service utility 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.
4. **Responsibilities.**
- A. **Director, POLICY.** The Director, POLICY is responsible for:
- (1) reviewing every Request for Suspension of Construction Activity in coordination with MSO in accordance with CMP TRMR-88;
 - (2) reviewing the regional director's concurrence with the project manager's annual review of every temporarily suspended construction activity;
 - (3) developing the suspension approval memorandum for management (as defined in CMP TRMR-88) in response to a Request for Suspension of Construction Activity for a construction activity in a state of temporary or permanent suspension;
 - (4) based on the review of Paragraphs 4.A.(1) through (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 altering the authorization related to the permanently suspended activity or recommending additional authority to resume the construction activity; and
 - (5) reviewing business cases for partial or full impairment of G-PP&E in coordination with MSO in accordance with Paragraph 6 of this TRMR.
- B. **Director, MSO.** The Director, MSO is responsible for:
- (1) reviewing all Requests for Suspension of Construction Activity in coordination with POLICY in accordance with CMP TRMR-88; and

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

- (2) reviewing business cases for partial or full impairment of G-PP&E in coordination with POLICY in accordance with Paragraph 6 of this TRMR.

C. Regional Directors. Regional directors are responsible for:

- (1) reviewing, evaluating, and submitting to POLICY, requests from project managers that recommend, document, and solicit the management's determination of construction activity in accordance with CMP TRMR-88;
- (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;
- (3) disseminating the signed suspension approval memorandum to the appropriate offices; and
- (4) reviewing business cases for partial or full impairment of G-PP&E in accordance with Paragraph 6 of this TRMR.

D. 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) monitoring Reclamation's assets and identifying those with a significant decline in service utility;
- (3) recommending suspension of construction activity when the conditions in CMP TRMR-88 are met;
- (4) preparing the required documentation per CMP TRMR-88 for submission to the regional director;
- (5) recommending impairment of G-PP&E when the conditions in Paragraph 6 of this TRMR are met;
- (6) preparing the memorandum recommending impairment of G-PP&E for submission to the regional director;
- (7) 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 per CMP TRMR-88;

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

- (8) 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) per CMP TRMR-88;
 - (9) providing a copy of the updated status, signed by the regional director, to POLICY and the regional finance office; and
 - (10) preparing the required documentation for any change in status (i.e., Request for Suspension of Construction Activity for management's approval to change status from temporary suspension to permanent or the Regional Director's concurrence to resume construction activity) per CMP TRMR-88.
- E. **Regional Real Property Officers.** Regional real property officers are responsible for preparing and coordinating the development and submission of business cases for partial or full impairment of G-PP&E.
- F. **Regional Finance Officers.** Regional finance offices, in conjunction with the project managers, will analyze CIA balances to ensure the proper classification of these costs. They will assist the regional real property officers when determining G-PP&E impairment. They will also process the appropriate accounting transactions related to CIA and impaired assets; ensuring all costs are transferred in accordance with the approval memorandum within the requisite timeframes. Refer to Appendix A for information pertaining to the accounting transactions to transfer costs to and from CIA.
- G. **CAT.** CAT will provide guidance on transferring costs from AUC to CIA. In coordination with POLICY, CAT will review all Requests for Suspension of Construction Activity to ensure content required by CMP TRMR-88 and will review requests for partial or full impairment to ensure compliance with SFFAS 44.
- H. **Regional Budget Officer.** The regional budget officer will coordinate with the project managers, regional finance offices, and Program and Budget (P&B) to determine the need for and to request a transaction (FMBB in the funds management module) for temporary budget authority to allow the transfer of costs from an RA work breakdown structure (WBS) to an RX WBS. The regional budget office will request the reversal the FMBB entry after the regional finance office post the journal voucher to transfer the cost.
- I. **P&B Officer.** P&B officer will advise the regional budget office on the status of available budget authority to process the transfer of costs from an RA WBS to an RX WBS; approve and process the FMBB transaction for the budget transfer; and process the reversal of the FMBB entry.

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

5. CIA.

A. **Transfers to CIA.** The regional finance office will transfer the capitalized costs for a suspended construction activity from AUC (general ledger (GL) 1720.CIP00), to CIA (GL 1720.CIA00000) upon receipt of the signed suspension approval memorandum authorizing temporary suspension per CMP TRMR-88. The regional finance office will retain a copy of all documentation including the signed suspension, costs to transfer, etc.

B. **Valuation of CIA.** The transfer of construction activities to CIA requires the transfer of all historical costs in AUC, to date, of those construction activities. When requesting approval from management in accordance with CMP TRMR-88, costs will remain in CIA at their historical value until the construction activities receive a determination on their final disposition. Reclamation will maintain the capitalized costs it transferred to CIA until:

- (1) management, in accordance with CMP TRMR-88, determines the construction activity is permanently suspended;
- (2) Congress de-authorizes the program or feature; or
- (3) the project manager determines the construction activity is eligible for transfer to **AUC for completion.**

C. **Review of CIA.**

- (1) Regions must analyze all construction activities in CIA (GL 1720.CIA00) and in G-PP&E Removed but Not Yet Disposed (GL 1995.00000) on an annual basis as of the end of the first quarter of the fiscal year in accordance with CMP TRMR-88. The regional finance office ensures the review captures all costs in these GLs using the *Construction in Abeyance Analysis Form* (Appendix B). The regions may modify this form according to their needs. The regional finance office prepares the form and forwards it to the applicable project manager, who will provide the status of and documentation for each identified construction activity in accordance with CMP TRMR-88.
- (2) 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 March per CMP TRMR-88. The project manager also completes the necessary documents for any construction activities identified in the review as eligible for transfer.

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

- (3) The regional director reviews the documentation submitted by the project manager and indicates their concurrence prior to submitting a copy to POLICY and the regional finance office by the end of April.
- D. **IDC after Transfer.** Unless a statutory requirement exists, Reclamation will suspend the calculation and recording of IDC after the transfer of a construction activity to CIA. Reclamation will include any IDC it capitalized in the AUC account when it transfers AUC to CIA. Do not retroactively compute and record IDC, if Reclamation subsequently transfers CIA construction activities to AUC. Upon transfer of these costs back to AUC, IDC will resume. Refer to FIN 07-21 for procedures for calculating and recording IDC.
- E. **Treatment of Operations and Maintenance (O&M) Costs.** Upon placement of a construction activity into abeyance, significant uncertainties exist regarding eventual completion of the project.
- (1) When the provision of all services or benefits is in a state of deferment, the Federal Government is responsible for any maintenance costs while assets are in abeyance. Generally, the maintenance costs will be minimal while the assets are not in operation. In certain situations, some maintenance will be necessary to keep the assets from deteriorating and/or to protect public health and safety.
- (2) Reclamation will expense any maintenance costs for assets in abeyance in the year it incurs them. However, Reclamation will maintain historical cost records because they may be necessary for future cost recovery purposes, if Reclamation resumes the project.
- F. **Depreciation of Construction Activities in Abeyance.** Reclamation will not compute depreciation on assets in abeyance because the assets are not providing benefits or services for the intended purposes and are not generating revenue. This maintains the integrity of the matching principle.
- G. **Disposition of CIA.** A final determination on the disposition of construction activities in abeyance will depend on: (a) resolution of any issue that is suspending project completion or declining the service utility or (b) Congressional direction on the disposition of the costs and, if applicable, the assets. The determination may be the result of the annual review or an event that occurs throughout the year to change the status (i.e., return to construction or de-authorization). 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 a lack of funding.

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

- (1) **Return to Construction.** When the project manager, with the approval of the regional director, determines the construction activity meets the criteria to return to construction status per RM D&S, *Construction Activities* ([FAC 03-02](#)), Reclamation will transfer costs from CIA to AUC.
- (2) **Permanent Suspension.** When management, in accordance with CMP TRMR-88, determines a construction activity is in permanent suspension status, Reclamation must remove the cost of the construction activity from CIA, i.e., write it off, and move the cost to memo accounts. Reclamation will recognize any difference between the historical cost of the construction activities and any salvage value as a gain or loss in the fiscal year of the determination of permanent suspension. Salvage value will include cash Reclamation receives for the sale of salvageable materials to the public and the historical cost of any salvageable components it will transfer to another Reclamation project or Federal entity.
- (3) **Congressional De-authorization.** Just as Congress has the authority to authorize the construction of a project, it may also de-authorize a construction activity within a project. Congress includes language either in an independent piece of legislation or in Reclamation's appropriation bill to de-authorize a construction activity. When Congress de-authorizes a construction activity, Reclamation expenses all capitalized costs incurred for the de-authorized construction activity in the period of de-authorization or removes the costs from the memo accounts if previously written off.

6. Impaired Assets.

A. **Identification of Impairment.** Reclamation's current policies and procedures for inspecting its projects, features, and assets provide the opportunity for staff to identify full or partial impairment. To classify an asset as impaired, the loss in service utility must be significant and permanent. Base judgments for significance on the relative costs of providing services before and after the decline, the percentage decline in service utility, or other considerations. Possible indicators of impairment include:

- (1) evidence of physical damage;
- (2) enactment or approval of laws or regulations which limit or restrict G-PP&E usage;
- (3) changes in environment or economic factors;
- (4) technological changes or evidence of obsolescence;

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 07/07/2017)

- (5) changes in the manner or duration of use of G-PP&E;
- (6) construction stoppage or contract termination; or
- (7) G-PP&E idled or unserviceable for excessively long periods.

B. Request for Impairment. Regional real property officers will prepare an abbreviated business case in accordance with the Reclamation's *Real Property Efficiency Plan*, recommending full or partial impairment of the asset and the resultant change in space or change in use. The business case will address Paragraph 6.A.(1) through (7) in the justification portion of the abbreviated business case. The review and approval process for requesting an impairment will follow the Abbreviated Business Case process described in Section V and Appendix D of Reclamation's *Real Property Efficiency Plan*, as modified in Paragraphs 6.B.(1) through (3) below.

- (1) The completed business case package will contain all necessary background information, including authorizations, and reasons for recommending impairment.
- (2) Regional directors will review the recommendation and forward their concurrence to all offices listed in Section V of Reclamation's *Real Property Efficiency Plan* and to CAT and the regional finance office.
- (3) POLICY and CAT will determine whether the request meets SFFAS 44's criteria for impairment.

C. Recognition of Impairment. If CAT and POLICY determine the request for impairment complies with SFFAS 44, Reclamation will expense the lost service utility of partially impaired assets by a measurement method that reasonably reflects the diminished service utility or Reclamation will remove the total cost along with the accumulated depreciation of assets removed from service due to full impairment.

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: _____