

# Reclamation Manual

Directives and Standards

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**SUPPLEMENT TO THE  
DEPARTMENT OF THE INTERIOR  
DEPARTMENTAL ACCOUNTING MANUAL**

**FILE: 07 CASH AND OTHER ASSETS  
20 Property, Plant, and Equipment  
10 Capitalization and Valuation**

**Subject(B)(6):** Plant Accounting - Construction in Progress (CIP)

**Purpose:** Establishes policy and documents procedures for valuation and accounting for investment in general property, plant, and equipment held for operating purposes.

**Authority:** Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*; and the U.S. Treasury Standard General Ledger (SGL).

**Contact:** Finance and Accounting Services (FAS), General Accounting and Technical Analysis Group (GATAG), by calling (303) 445-3422

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**Scope.** Reclamation property, plant, and equipment are classified as general property, plant, and equipment in accordance with the FASAB SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Reclamation's general property, plant, and equipment consists of land, CIP, buildings, other structures and facilities, data processing software, and equipment. Guidance specific to data processing software and equipment is provided in Reclamation Manual (RM) FIN 07-20-10(C), *Computer Software Costs*.

**6. Construction in Progress.**

A. **Construction in Progress; Definitions.** There are three major categories into which Reclamation plant facilities may be classified:

- (1) **Construction in Progress.** (SGL 1720) This account is used to account for active, on-going construction.
- (2) **Construction in Abeyance.** (SGL 172B) This account is used to account for facilities that have been indefinitely suspended or terminated (but not officially deauthorized by Congress). At the point that facilities are deauthorized, they should be removed as an asset, i.e., they should be written off. This account is used to account for facilities for which construction may or may not be

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substantially complete, but the facilities are not providing benefits or services associated with authorized project purposes. [Refer to RM FIN 07-20-10(B)(8), *Plant Accounting - Construction in Abeyance.*]

- (3) **Completed Plant (Plant in Service).** (SGL 1740 - other structures and facilities; SGL 1730 - buildings; or SGL 1890 - other general property, plant, and equipment.) These accounts would be used when all three of the criteria for transferring CIP to plant in service have been met, as described in paragraph 6C below.

- B. **Construction in Progress; Costs.** Property, plant, and equipment that is constructed, replaced, or added is first recorded as CIP (SGL 1720), in the appropriate construction/plant accounts (Appendix A). When it is placed in service (see paragraph 6D) the balance will be transferred to the appropriate construction/plant accounts within other structures and facilities (SGL 1740), buildings (SGL 1730), or other general property, plant, and equipment (SGL 1890), as applicable. All land costs shall be recorded in land and land rights (SGL 1711). Construction performed by Reclamation for other entities will be addressed in a future RM.

The costs of construction include both contract costs and noncontract costs incurred to bring the asset to its intended use. CIP (SGL 1720) includes costs of direct labor, direct material, and indirect costs incurred in the construction of property, plant, and equipment. Costs may include the following:

- amounts paid to vendors
- transportation charges to the point of initial use
- handling and storage costs
- labor and other direct or indirect production costs (for assets produced or constructed)
- engineering, architectural, and other outside services for designs, plans, specifications, and surveys
- acquisition and preparation costs of buildings and other facilities
- an appropriate share of the cost of the equipment depreciation and facilities used in construction work
- fixed equipment and related installation costs required for activities in a building or facility
- direct and indirect costs of inspection, supervision, and administration of construction contracts and construction work
- legal and recording fees and damage claims
- fair value of facilities and equipment donated to the Government
- interest during construction [See RM FIN 07-20-10(A), *Interest During Construction*]

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- certain post-authorization investigation or study costs attributable to the asset being constructed
- certain post-authorization cultural resource or archaeology costs attributable to the asset being constructed
- certain temporary easements directly attributable to the asset being constructed (if related directly to land, refer to RM FIN 07-20-10(B)(4), *Plant Accounting - Land*)

### C. Analysis of Construction in Progress.

- (1) Regions are responsible for analyzing CIP on at least an annual basis to determine if CIP is considered substantially complete and should be transferred to the applicable completed plant account or to construction in abeyance (refer to RM FIN 07-20-10(B)(8), *Plant Accounting - Construction in Abeyance*, for specific guidance on construction in abeyance).
- (2) The key criteria for transferring CIP to completed plant is the point at which (a) the construction work on a feature is substantially complete, (b) the feature is providing benefits and services for the intended purpose(s), and (c) the feature is generating project purpose revenue, where applicable. Until these three criteria are met, costs should remain in CIP. A program or feature should be transferred when that program or feature begins generating project purpose revenue prior to completion of the remaining facilities associated with the project. Minor amounts of revenue which are not representative of overall project revenue generation capability are not sufficient to require the transfer. Revenue incidental to project purposes does not meet the intent of criteria (c) above, and also would not support transfer.
- (3) Regions will analyze each program or feature in SGL 1720 on an annual basis. This analysis will be facilitated with the use of the *Construction in Progress Analysis Form* (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. The program manager may also provide the completion dates, estimated costs to complete, and/or other pertinent comments on the form. The status of each program or feature in SGL 1720 will be documented on this form.
- (4) Attention should be given to any program or feature that is exhibiting signs that it is nearing completion. A couple of factors that indicate that a construction program or feature is approaching completion is a significant slow down in activity in the cost account(s) or prior status on the analysis form (Appendix B) states that completion is drawing near. Notice, initiated by the

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engineer, project manager, program manager, or supervisor in charge of the construction work, that all physical construction has been completed or the facilities are in service and producing revenue, where revenue production is applicable, may further document the need for transfer to plant.

- (5) Upon determination by the program manager to either transfer costs to other structures and facilities, construction in abeyance, or to maintain costs in CIP, documentation on the *Construction in Progress Analysis Form* (Appendix B) will be maintained by the Regional Finance Office to support the decision. Outstanding transactions such as pending claims or litigation, or minor termination work should not delay transfer. All costs, as of July 31, of programs or features deemed to be substantially complete by the end of the fiscal year based on this review shall be moved to the applicable completed plant account by the end of August of each year, to facilitate accurate depreciation. Residual costs occurring in August and September are assumed to be minimal, therefore those costs will be moved in the following year for depreciation purposes. However, if the Regional Finance Office finds that the estimated completion date provided by the program manager on the *Construction in Progress Analysis Form* falls within the last 2 months of the fiscal year, costs will be moved to the applicable completed plant account by the end of August of each year.

### **D. Process for Transferring Construction in Progress to Other Structures and Facilities.**

- (1) When a feature, a replacement, or an addition meets the transfer criteria in paragraph 6C above, these costs will be transferred from CIP (SGL 1720) to the appropriate completed plant account or construction in abeyance, as applicable [refer to RM FIN 07-20-10(B)(8), *Plant Accounting - Construction in Abeyance*, for specific guidance on construction in abeyance]. Failure to effect this transfer in a timely manner misstates the capitalized value in the applicable completed plant account. All residual costs (see Appendix C for definitions) subsequently incurred should be transferred from SGL 1720 to the applicable completed plant account at least on an annual basis, for costs as of July 31, by the end of August of each year.
- (2) RM FIN 07-20-10(A) provides guidance on the initiation, computation, and discontinuance of interest during construction (IDC) and RM FIN 06-30(C) provides guidance on the initiation, computation, and termination of interest on investment (IOI).

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- (3) Once a program or feature is deemed substantially complete, adequate documentation to support the transfer in the accounting and property records is essential. The engineering program manager or regional program manager, as applicable to each region, will complete a document similar to the attached *Transfer to Plant in Service* form (Appendix D) to start the transfer process. Whatever form is used to document the transfer, **at a minimum** the following data should be included:
- project number and project name
  - program or feature number and program or feature description
  - date the program or feature is considered substantially complete
  - signature of the program manager
- (4) The documentation package, prepared by the Regional Financial Office in the initial year of transfer, should be attached to the standard/journal voucher accomplishing the initial transfer from CIP (SGL 1720) to the applicable completed plant account. An SX document should be used to record the transfer unless the receiving project does not get a budget allocation. If the receiving project does not get a budget allocation, an unfunded accounting model should be used with an SF document. In either case, vendor code SXGENPUB-1 should be used, and funds should not be crossed. The vouchers and supporting documentation are designated for permanent retention in the region.

E. **Coordination and Notification for Transfers to Completed Plant in Service.** Once the transfer is accomplished in the accounting records, copies of the completed *Transfer to Plant in Service* form shall be routed to affected offices, for notification purposes, as applicable in each region. Follow-up actions may include:

- any cost adjustments after the transfer
- notification to the real property inventory system
- notification of repayment personnel
- notification of regional economist
- notification of customer, as a matter of regional policy

F. **Related References.**

- FIN 07-20-10(B)(8), *Plant - Construction in Abeyance*
- FIN 07-20-10(B)(9), *Plant - Non-Traditional Assets*
- Commissioner's Memorandum dated August 3, 1993, Subject: *Policy, Recovery of Operation, Maintenance, and Replacement Expenses (O&M Status)*
- *Replacements - Units, Service Lives, Factors, Limited Update - July 1995* (a joint publication of Reclamation and the Western Area Power Administration)

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- 18 CFR Chap. 1, Part 101, Subchapter C - *Accounts, Federal Power Act*
- FIN 07-20-20(A), *Plant Depreciation*
- FIN 07-20-10(A), *Interest During Construction (IDC)*
- FIN 06-30(C), *Interest on Investment (IOI)*
- FIN 03-20-20(B), *Reconciliation of Standard General Ledger*
- FIN 04-20-10(A), *Standard General Ledger (SGL) Chart of Accounts*
- FIN 07-20-10(C), *Computer Software Costs*