

Reclamation Manual

Policy

Subject:	Independent Oversight of Design, Cost Estimating, and Construction
Purpose:	To establish an independent oversight process that will ensure Bureau of Reclamation's executive-level managers that major decisions and products related to design, cost estimating, and construction are sound at both the project and Reclamation-wide (corporate) levels. The benefits of this Policy are increases in quality, accuracy, and credibility to customers and the general public.
Authority:	Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented
Approving Official:	Commissioner
Contact:	Senior Advisor, Design, Estimating, and Construction Oversight (84-51000)

1. Introduction.

- A. Reclamation will maintain a corporate process and system to provide independent oversight for major agency projects, work, or activities (projects) that include design, cost estimating, and construction (DEC)¹. Corporate oversight for these projects is to support successful project accomplishment, ensure high quality, maintain credibility with water and power users and other customers, and otherwise sustain Reclamation's credibility.
 - B. The key feature of the independent oversight review process is independent oversight reviews performed on specific DEC projects. The DEC oversight review process provides Reclamation leadership with an understanding of the project's technical/cost risks and uncertainties along with recommendations for reducing those uncertainties where necessary.
2. **Applicability.** This Policy applies to all projects for which Reclamation is responsible or has a financial/oversight interest that include DEC. All projects will be subject to the independent DEC oversight requirements contained in this Policy. Subject projects include construction, upgrades, renovations, modifications, rehabilitations, alterations, maintenance, repairs, etc.

¹Descriptions, responsibilities, requirements, procedures, etc., for Reclamation's planning, design, cost estimating and construction can be found in Reclamation Manual documents including, but not limited to: *Construction Activities* (FAC 03-02); *Cost Estimating* (FAC P09 and FAC 09-01); *Construction Cost Estimates and Project Cost Estimates* (FAC 09-02); *Representation and Referencing of Cost Estimates in Bureau of Reclamation Documents Used for Planning, Design and Construction* (FAC 09-03); *Design Activities* (FAC 03-03); *Water and Related Resources Feasibility Studies* (CMP 09-02); *General Planning Activities (GPA)* (CMP 05-03); *Geographically Defined Program (GDP)* (CMP 05-01); *Instructions on Budgeting for Construction – Estimates, Schedules, and Supporting Documents* (BGT 01-04); *Maintenance of Design and Construction Technical Capabilities* (FAC 03-01); and *Performing Design and Construction Activities* (FAC P03).

Reclamation Manual

Policy

- A. **Exceptions.** There are four categorical exceptions to the DEC oversight requirements stated in this Policy.
- (1) The Dam Safety Program already includes a comprehensive decision-making and extensive independent review process. Therefore, Dam Safety projects will not require a separate DEC review and are excepted from the DEC process. Reclamation Dam Safety Program requirements can be found at in Reclamation Manual (RM) Directive and Standard (D&S), [Reclamation Dam Safety Program \(FAC 06-01\)](#).
 - (2) Some existing decision-making partnerships involving customers, including those associated with management of power revenues may be determined to provide adequate oversight mechanisms. Requests for an exception to these DEC oversight requirements due to an existing partnership will be on a case-by-case basis and will be forwarded to the Deputy Commissioners—Operations/Policy, Administration, and Budget for approval/disapproval.
 - (3) Title XVI projects, provided Reclamation does not have responsibility for the technical adequacy of the designs, cost estimates, or construction aspects of the project.
 - (4) Small surface water and groundwater storage projects participating in the program authorized by 43 U.S.C. 3203, provided Reclamation does not have responsibility for the technical adequacy of the designs, cost estimates, or construction aspects of the project.

3. Policy.

- A. The DEC Oversight Program was authorized by Reclamation's Acting Commissioner, William Rinne by memorandum beginning September 1, 2006. Reclamation Manual Policy FAC P10 and Directives and Standards FAC 10-01 were developed along with designation of the Program Manager for the DEC Oversight process in 2007.
- B. The DEC Oversight Program was created in response to substantial cost estimate increases on Animas-La Plata Project and other projects.

4. Performing Independent Oversight Reviews.

- A. **Selecting Projects for Oversight Reviews.** All Reclamation projects will be considered for oversight review including those where the DEC information has been developed through Reclamation personnel, contract, and/or funding. A project will be submitted by the responsible regional director (RD) to the Senior Advisor, DEC Oversight for an oversight review when any of the following criteria is met:

Reclamation Manual

Policy

- (1) It is anticipated or estimated by the RD that a project will have a total cost, at completion, greater than \$10 million and is intended to meet a feasibility level of development².
- (2) The project is going to be the subject of a report which is going to be publicly released or provided to Congress, it is reasonably likely that the report will be politically sensitive or controversial, or it will be used by project proponents to seek authorization or project funding. This includes projects at less than the feasibility development level whether or not the total anticipated cost is more than the \$10 million threshold.
- (3) The Deputy Commissioners—Operations/Policy, Administration, and Budget determine the project will undergo an oversight review.

B. Commencement of and Frequency of Oversight Reviews. Oversight review will occur on projects that require review as early as practicable and prudent, but at least before DEC information and/or data are made available to be utilized by partners, stakeholders, or other interested parties. Some complex DEC projects may require more than one oversight review, at the discretion of the RD and as approved by the Deputy Commissioners—Operations/Policy, Administration, and Budget.

C. Primary Characteristics of Oversight Reviews. All oversight reviews will be:

- (1) Performed under the direction of the Senior Advisor, DEC Oversight by qualified and experienced ad hoc team members (government or contracted staff) who have not directly participated in the development of the project being reviewed.
- (2) Value added and performed in a timely and cost-effective manner.
- (3) Utilizes all components, documentation, and details of the project designs, construction considerations, and cost estimates being reviewed.
- (4) Conducted to verify that all major risks and uncertainties inherent in the project have been identified and effective measures and activities to manage these risks and uncertainties have been established.
- (5) Conducted to verify that project designs and cost estimates comply with RM Policies and D&Ss when applicable.
- (6) Technical reviews of designs, cost estimates, and construction considerations depicted in the project documents, but are not substitutes for conducting a technical or a peer review, nor a value analysis as required by RM Policy and

²\$10 million is established as a significant and major design and construction investment threshold in the Department of the Interior Capital Planning and Investment Control Guide, Version 1.0, December 2002, and the 2005 Budget Request Formulation Guidance, dated April 1, 2003, signed by Assistant Secretary for Policy, Management, and Budget.

Reclamation Manual

Policy

D&S. One component of the oversight review will be a determination that technical and/or peer reviews, and value analysis studies required by RM Policy and D&S have been performed or are scheduled to be performed to acceptable technical standards and guidelines.

- (7) Conducted to identify risk associated with any non-technical issues that could have a significant impact on the cost of the project.
- (8) Conducted to identify any items that may be conservatively designed or estimated.

D. Oversight Review Reports.

- (1) Each oversight review will be documented in an oversight review report prepared under the direction of the Senior Advisor, DEC Oversight. The Senior Advisor, DEC Oversight will transmit a copy of the team's final independent review report to the responsible RD and to the Deputy Commissioners—Operations/Policy, Administration, and Budget.
- (2) The responsible RD and the Senior Advisor, DEC Oversight, will collaborate to reach a mutual decision as to the actions to be taken to address the findings and recommendations in the independent DEC report regarding engineering designs, cost estimates, and construction costs. They will document their conclusions and decisions, and the reasoning, therefore, in writing in a jointly signed document which will be formally transmitted to the Deputy Commissioners—Operations/Policy, Administration, and Budget for information. This will conclude the process. If for any reason the RD and the Senior Advisor, DEC Oversight, are not in agreement, they will elevate the matter to the Deputy Commissioner—Operations and/or Deputy Commissioner—Policy, Administration, and Budget for a final decision. This final decision is to be documented in writing and will conclude the process.
- (3) See [FAC 10-01](#) for requirements for performing oversight reviews.

5. **Definitions.** For this Policy and RM Directive and Standard (D&S) [*Identifying Design, Cost Estimating, and Construction Projects for Which Independent Oversight Review is Required, and Performing Those Reviews \(FAC 10-01\)*](#), the following definitions apply:

- A. **Conservatively Designed.** Exceedance of design standards or reasonable engineering judgement to compensate for unknowns, uncertainties, or concerns.
- B. **Conservatively Estimated.** Over estimating costs to reduce the chance that budgeted costs are not exceeded.

Reclamation Manual

Policy

- C. **Independent Review.** A review performed under the direction of the Senior Advisor, DEC by qualified ad hoc team members (Government or contract staff) who have not directly participated in development of the project being reviewed.
 - D. **Project.** An activity involving DEC for which Reclamation is responsible, or will have a financial and/or oversight role, that includes construction, upgrades, renovations, modifications, rehabilitations, alterations, maintenance, repairs, etc.
 - E. **Total Cost.** The sum of all Government and non-government labor, and non-labor costs anticipated or estimated to be associated with a project achieving its intended purpose. This includes contract, non-contract, and construction contingency costs.
6. **Review Period.** The originating office will review this release every 4 years.

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: _____