

Reclamation Manual

Directives and Standards

Subject: Completion of a Construction Activity: Transferring Reclamation Capital Assets Under Construction (AUC) to Operation and Maintenance (O&M) Status

Purpose: Establishes procedures and requirements for documenting when a construction activity has been completed and recognizing a capital asset is placed in service and transferred to O&M status, whether the O&M is being performed by the Bureau of Reclamation, a water user organization or another federal agency. The benefits of this Directive and Standard (D&S) are improved internal and external communication, efficiency, and transparency of transferring Reclamation-owned capital assets to O&M status.

Authority: The Reclamation Act, Section 6 (Act of June 17, 1902, ch. 1093, 32 Stat. 389; 43 U.S.C. 491, 498); and Reclamation Extension Act, Section 5 (Act of August 13, 1914; ch. 247, 38 Stat. 687; 43 U.S.C. 492, 499)

Approving Official: Director, Dam Safety and Infrastructure

Contact: Asset Management Division (86-67200)

1. **Introduction.** This D&S defines the procedures and requirements for transferring a capital asset from AUC to O&M status, including Safety of Dams (SOD) modifications, and transferring O&M responsibilities from Reclamation to a water user organization or another federal agency. 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 07-01](#)), *Construction Activities* ([FAC 03-02](#)), *Design Activities* ([FAC 03-03](#)), *General Property, Plant, and Equipment (G-PP&E)* ([FIN 07-20](#)), and *Assets Under Construction (AUC)* ([FIN 07-24](#)).¹
2. **Applicability.** This D&S applies to all Reclamation employees involved in managing, overseeing, or participating in the completion of construction activities, including SOD modifications, at all Reclamation facilities.
3. **Types of Transfers.**
 - A. **Transfer from AUC to Reclamation (Reserved Works) O&M.** Once the Regional Director (RD), or delegate (RM [Delegations of Authority, par. 4.N.\(2\)](#)), provides written concurrence for the substantial completion concurrence documentation, the Regional Finance Office (RFO) transfers the costs and non-federal partner's cost share from AUC to plant in service [in accordance with FIN 07-24](#).

¹For an overview of the relationship between this D&S and other related project/construction activity requirements in the RM, please see the flowchart located on the Project Management Advisory Team's Virtual Resource Center.

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- A. **Transfer from AUC or Reclamation O&M Status to Water User (Transferred Works) Organization O&M.** Reclamation law provides for the transfer of O&M responsibility for constructed facilities to water users or other legally authorized organizations. Titles to all project works will remain with the United States until the Congress declares otherwise. The transfer will not preclude later charges to the principal obligation for completions and corrections found necessary and documented during construction activity completion inspections (RM D&S *Contracts for the Transfer of Operation, Maintenance, and Replacement Responsibilities for Federal Facilities*, [PEC 05-02](#))).
- B. **Transfer from AUC to another Federal Agency O&M.** If Reclamation constructs the capital asset for another federal agency, the RFO transfers costs from AUC to the plant in service; then transfers the capital asset to the federal agency.
4. **Transferring Facilities, Equipment, and Supplies.** Features and/or capital assets resulting from a construction activity will be transferred from AUC to plant in service upon receipt of the substantial completion concurrence documentation. Titles to the facilities will remain with the United States until the Congress declares otherwise. Title to equipment and supplies may be transferred provided appropriate arrangements for repayment are made. When O&M of a capital asset 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.
5. **Completion Inspection.** The project manager (PM) must schedule the completion inspection, prior to requesting concurrence, to review construction activities with the construction engineer/construction manager (CE/CM) and determine if the project management plan criteria for substantial completion are satisfied. After all elements appear to be met, notify the RFO, area manager, and operating entity or office. If the transfer involves a SOD modification, information on the design intent (e.g., risk reduction verification) will be included. The inspection must include:
- A. the office in charge of construction management;
 - B. the office responsible for design;
 - C. a safety and occupational health specialist;
 - D. the office and entities doing future, routine O&M inspections;
 - E. the Reclamation area office responsible for operating and maintaining the capital asset in construction activity; and
 - F. the Reclamation area office responsible after the transfer to O&M status is complete.

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6. **Cost of a Completion Inspection.** The cost for conducting the construction activity completion inspection will be charged to the construction funding account. For a facility being transferred from Reclamation to a water user for O&M, the cost for conducting the construction activity completion inspection will be treated as a project-specific O&M cost.
7. **Substantial Completion Concurrence Documentation Contents.** The PM will draft the substantial completion concurrence documentation for each capital asset that has met the criteria. The PM has 45 days to provide the approved substantial completion concurrence documents to the RFO after the asset has been used, operated, or occupied. Appendix A is an example of this memorandum. The documentation must address the following:
 - A. project type (e.g., basic, standard, complex, or complex with Office of Management and Budget business case);
 - B. capital asset name, location, and name of authorized project where the capital asset is located;
 - C. program number (the 8 digits after “R” in the WBS) and additional accounting data as required by the regional finance office;
 - D. PM name, title, duty station, and office mail code;
 - E. list of specification numbers used in construction activity;
 - F. the Reclamation office having jurisdiction over the capital asset following completion of the construction activity;
 - G. the date of the completion inspection;
 - H. summary of the completion criteria being concurred;
 - I. description of any significant deficiencies that impact the future function of the capital asset;
 - J. name of the concurring official with delegated authority to sign; and
 - K. date of concurrence.
8. **Substantial Completion Concurrence Documentation Routing and Copies.** The PM must obtain the RD’s written agreement, within 45 calendar days of determination, that the entity responsible for operating, maintaining, and replacing the capital asset or feature, after transference, is authorized for use or occupation. Following agreement that the capital asset has met the substantial completion criteria, the PM transmits the substantial completion concurrence documentation.

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- A. The PM will send a copy to the RFO and Mission Support Organization; Finance, Policy, and Programs Division, Attention: 84-27410 (bor-sha-RPAccounting@usbr.gov) and Dam Safety and Infrastructure, Attention: 86-67200 (policy-amd-om@usbr.gov) within 2 business days after regional concurrence is signed by the RD, or delegate.
 - B. In the case where the O&M of the capital asset is to be performed by a water user organization or another federal entity, the PM will send copies to the entity within 45 calendar days.
 - C. The PM will send copies to participants of the construction activity completion inspection and the region and area offices which need to be aware of the capital asset completion status.
9. **Coordinating Financial Aspects of Transfer.** The transfer will not preclude later charges to the principal obligation for completions and corrections found necessary and documented during the construction activity completion inspections. During the first, second, and third quarters, the PM must provide documentation to the RFO by the first business day of the second month of the quarter to process the transfer from AUC before quarter end. During the fourth quarter, the PM must coordinate processing time with the RFO. The regional office must complete transfers no later than 30 days before fiscal year end (Department of the Interior Acquisition, Assistance, and Asset Policy 0122, *Property, Plant and Equipment - Capitalization Criteria*). Before the transfer is complete the PM must ensure the RFO receives and posts expenditure or cost share data from the non-federal partner to the Financial and Business Management System (FBMS) annually or as defined in the cost share agreement (e.g., quarterly, upon construction activity completion, etc.).
10. **Definitions.**
- A. **Authorized Project.** A statutorily defined assembly of features and supporting capital assets required to provide the benefit(s) authorized by Congress.
 - B. **Capital Asset.** Land, structures, equipment, and intellectual property (e.g., software) owned by the Federal Government that meet the capitalization criteria in the Replacements Book. Capital assets include not only the capital asset as initially acquired but also all additions, betterments, and replacements (see RM D&S, *Depreciation and Amortization* ([FIN 07-23](#))).
 - C. **Construction Engineer/Construction Manager (CE/CM).** The person assigned to administer construction activities, develop the construction management plan, understand and ensure implementation of the design intent, maintain technical coordination between design and construction, and manage the construction staff to ensure compliance with specifications (RM D&S *Construction Activities*, [FAC 03-02](#)).

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- D. **Independent Capital Asset.** Provides a benefit, by itself, to an authorized project; a capital asset that does not require another capital asset to be operated, used, or occupied.
 - E. **Interdependent Capital Assets.** The aggregation of multiple capital assets that are functionally or operationally dependent to provide authorized project benefits. All of the interdependent capital assets must function in order to deliver the designed benefit or perform the design operation.
 - F. **Operation, Maintenance, and Replacements (OM&R).** The on-going, regular, or routine operation, maintenance, repairs, replacements, and other activities and actions necessary for continued structural integrity and operational reliability of project facilities required for the delivery of contact water.
 - G. **Project.** A temporary endeavor undertaken to create a unique product, service, or result and has a discrete, definable beginning and end. Not to be mistaken with an authorized project.
 - H. **Project Management Plan.** A formal, approved document that defines how the project is executed, monitored, and controlled. It may be a summary or detailed and may be composed of one or more subsidiary management plans and other planning documents.
 - I. **Project Manager (PM).** The person assigned by a director to achieve project objectives and deliver a project on schedule, within budget, and to the appropriate scope.
 - J. **Reserved Works.** Facilities where responsibility for carrying out operation and maintenance activities and ownership is retained by Reclamation.
 - K. **Substantial Completion.** Management's determination that an independent or interdependent capital asset is sufficiently complete, in accordance with the criteria in the project management plan, for Reclamation to use, operate, occupy, or otherwise place the capital asset into service for its intended purpose. Substantial completion in connection with the project management of a construction activity is separate and distinct from the substantial completion of a construction contract, which is defined in the construction contract and determined by the Contracting Officer. In addition, the substantial completion of an authorized project is defined in the repayment contract for the authorized project.
 - L. **Transferred Works.** Facilities owned by Reclamation where the responsibility for OM&R activities is assigned to a non-federal operating entity pursuant to a contract or formal agreement with such entity.
11. **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: _____