

# Reclamation Manual

## Directives and Standards

<b>Subject:</b>	Determination to Suspend an Authorized Construction Activity
<b>Purpose:</b>	To establish the requirements for determining whether an authorized construction activity is in a state of suspension and requesting approval to designate an activity associated with construction activity as suspended. The benefit of this Reclamation Manual (RM) Directive and Standard (D&S) is the Bureau of Reclamation-wide standardization of the requirements for determining that a construction activity is suspended.
<b>Authority:</b>	The Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), and acts amendatory and supplementary thereto
<b>Approving Official:</b>	Director, Dam Safety and Infrastructure
<b>Contact:</b>	Asset Management Division (86-67200)

1. **Introduction.** This D&S describes the decision-making framework and responsibilities for determining that construction of a project, feature, or capital asset is suspended<sup>1</sup>. Reclamation must account for all costs associated with all projects, features, and capital assets, including those that have been partially constructed. Reclamation uses the Construction in Abeyance (CIA) Standard General Ledger account for costs associated with projects, features, and capital assets that are not complete because the construction activity is suspended, and which cannot be accounted for in Assets Under Construction (AUC). The requirements, definitions, and process in this D&S must be used in coordination with the following RM D&Ss: *Project Management* (CMP 07-01), *Construction Activities* (FAC 03-02), *Design Activities* (FAC 03-03), *General Property, Plant, and Equipment (PP&E)* (FIN 07-20), *Assets under Construction (AUC)* (FIN 07-24), and *Construction in Abeyance (CIA)* (FIN 07-26)<sup>2</sup>.
2. **Applicability.** This D&S applies to all Reclamation employees involved in managing, overseeing, or recording financial transactions for any project, feature, or capital asset.
3. **Request for Suspension of a Construction Activity.**
  - A. The project manager<sup>3</sup> must identify that a construction activity should be suspended and initiate the process to suspend the construction activity.

<sup>1</sup>The Deputy Commissioner - Policy, Administration and Budget made a determination on all construction activities recorded in Construction in Abeyance prior to the date of this D&S that the construction activity is in temporary or permanent suspension following the procedures described in Paragraph 3.

<sup>2</sup>For information pertaining to impaired assets, see RM D&S, Accounting for the *Partial Impairment of General Property, Plant, and Equipment* (G-PP&E) (FIN 07-27). Impairment is a significant decline, in whole or in part, whether gradual or sudden, in the service utility of G-PP&E or expected service utility for AUC.

<sup>3</sup>See RM D&S *Project Management* (CMP 07-01) for project management requirements.

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- B. If the construction activity is not able to proceed due to financial, technical, legal, political, or other reasons that are not projected to be resolved within three years<sup>4</sup>, the project manager will prepare a memorandum requesting a suspension status designation of the construction activity<sup>5</sup>. Once a signed suspension approval memorandum is received, the regional finance office will initiate the accounting processes to transfer costs relating to the activity.
- C. The project manager must ensure that the *Request for Suspension of Construction Activity* includes the following information:
- (1) A brief background on the project authorization and a general description of the construction activity. Describe the scope of the activity, including the initially intended and authorized purposes, benefits and beneficiaries. Identify any project-specific authorities or restrictions that materially affect the activity if applicable.
  - (2) A detailed description of the current status of the construction activity. This must identify what tasks have been completed to date, including studies or surveys, as well as the construction activities that are subject to the suspension. Include all assets<sup>6</sup> that have been completed or started, any interdependencies among the assets, and the intended current and future use and functions of the assets.
  - (3) A description of the nature and cause of the delay inhibiting the construction activity (i.e., financial, technical, legal, political, or other reasons), and the actions needed to resolve the delay. If requesting a permanent suspension, include why the issues cannot be resolved.
  - (4) A description of costs incurred to date for activities or assets identified in section 3.C.(2) above. Include all relevant costs including activity by cost-share partners, contractors, or other parties, and repayment impact on beneficiaries.
  - (5) A description of any maintenance activities anticipated to be conducted on the assets under construction that may be suspended, and their estimated annual costs. Include any regular maintenance inspections or public safety inspections that are anticipated to occur while construction is suspended.
  - (6) Describe any factors or circumstances that currently or in the future would negate or further delay the completion of the construction activity, including:

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<sup>4</sup>Three years is based on the reasonable time to secure additional funding within Reclamation's budget cycle.

<sup>5</sup> For more information about identifying projects that may qualify for suspension, see FIN 07-24, paragraph 11.D.(1).

<sup>6</sup> If the suspended construction involves work on a High- or Significant-Hazard Potential Dam, reference additional Dam Safety Analyses in RM D&S, *Construction Activities* (FAC 03-02).

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- (a) any evidence of physical damage;
  - (b) enactment or approval of laws or regulations which limit or restrict the use of the asset(s);
  - (c) changes in environmental or economic factors;
  - (d) technological changes or evidence of obsolescence;
  - (e) changes in the manner or duration of the use of the asset(s); and
  - (f) the length of the delay or period in which the asset was idled or unserviceable.
- (7) If requesting temporary suspension, a description of any plans or evidence of intent to continue construction on the asset or to replace or restore the service of the asset), and if funding is received or is being requested to continue construction or rehabilitate the asset.
- D. Regional directors will review and evaluate the project manager's recommendation for suspension and transmit the recommendation and request for approval by the Deputy Commissioner - Operations (DC-O) to Dam Safety and Infrastructure. A construction activity is not suspended until approved by the DC-O.

#### 4. Review Process Requirements.

- A. Dam Safety and Infrastructure will coordinate with the Mission Support Organization (MSO) in the review of the *Request for Suspension of a Construction Activity*, request additional information from the respective region if applicable, and prepare the suspension approval memorandum for concurrence by the DC-O and the Deputy Commissioner - Policy, Administration and Budget's (DC-PAB) signature. Dam Safety and Infrastructure will prepare suspension approval memoranda within sixty days of receiving a recommendation for suspension from a regional director.
- B. Each request will be reviewed to consider the nature and scope of outstanding issues resulting in the delay; alternatives or options for remedying and addressing issues and the associated timeframe; repayment impacts on the beneficiaries of constructed assets; clearly defined and justified interdependent assets; whether costs associated with the activity are appropriately identified to facilitate the necessary accounting transactions; and if there are any issues relating to current authority are needed as documented in the request. MSO will also ensure the request does not meet the accounting standards for full or partial impairment<sup>7</sup>.

<sup>7</sup> See RM D&S *Partial Impairment of General Property, Plant, and Equipment* (G-PP&E) (FIN 07-27).

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- C. The DC-O and DC-PAB will then make a formal determination of whether a construction activity is in a state of temporary suspension, or whether a construction activity is permanently suspended.

### 5. Determination of Temporary Suspension.

- A. Dam Safety and Infrastructure will develop and distribute the signed suspension approval memorandum to the appropriate regional director for dissemination. The regional finance office will transfer the relevant costs from AUC to CIA in accordance with FIN 07-26 within 45 days or prior to fiscal year end, whichever occurs first, from receipt of the DC-O's approval. The regional finance office must have documentation of the DC-O's determination of construction activity suspension before performing any accounting transactions to transfer costs into CIA.
- B. If the DC-PAB does not concur or the DC-O does not approve the determination of temporary suspension of a construction activity, the regional finance office will not move the associated costs and will continue to account for the cost consistent with existing accounting practices and guidelines.

### 6. Determination of Permanent Suspension.

- A. Dam Safety and Infrastructure will distribute the signed suspension approval memorandum to the appropriate regional director for dissemination. Upon receipt, the regional finance office will transfer the relevant costs in accordance with FIN 07-26 within 45 days or prior to year-end, whichever occurs first, from receipt of the DC-PAB's approval. The regional finance office must have documentation of DC-PAB's determination of construction activity suspension before performing any accounting transactions. Dam Safety and Infrastructure will develop the recommendation memorandum from the Commissioner to the Department of the Interior Assistant Secretary for Water and Science for altering the authorization related to the permanently suspended activity.
- B. If the DC-PAB does not concur or the DC-O does not approve the determination of permanent suspension of a construction activity, the regional finance office will not move the associated costs and will continue to account for the cost consistent with existing accounting practices and guidelines.
- C. Reclamation shall not abandon assets in place; assets that have not been completed or that cannot be used for project purposes will be disposed in accordance with Federal law and regulations.<sup>8</sup> The project manager will notify the regional finance office of the disposal.

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<sup>8</sup> Also see *Land Disposal* (LND 08-02) and *Disposal of Bridges and Crossings on Bureau of Reclamation Land and Easements* (LND 11-01).

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### 7. Annual Review of Temporarily Suspended Construction Activities.

- A. The project manager assigned to the construction activity will review each temporarily suspended construction activity annually and submit an update to the regional director. The update to the regional director will document activities and efforts made during the previous 12 months to resolve issues causing suspension of the construction activity. Regional directors will review the changes and indicate if they are in concurrence with the initial status determination or the project manager's recommendation for a status change by the end of April. The regional directors will submit a copy of the review to Dam Safety and Infrastructure and the regional finance office.
- B. If the project manager determines, based on the annual review, new information for a temporarily suspended activity warrants altering the status to permanent suspension, the project manager will follow the procedures described in Paragraph 3 to request a determination for permanent suspension from the DC-O.
- C. If the project manager determines, based on the annual review, the construction activities can resume, the project manager will submit a memorandum to the regional director, including an explanation of why the project can resume and any changes in the information listed in Paragraph 3, for concurrence. Regional directors will review the changes and indicate if they are in concurrence.
- D. When the regional director concurs that a construction activity can resume, documentation of the regional director's concurrence must be provided to the regional finance office. The regional finance office will transfer the relevant costs from CIA to the AUC account in accordance with FIN 07-26 within 45 days or prior to fiscal year end, whichever comes first, from receipt of the regional director's concurrence.

### 8. Definitions.

- A. **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.
- B. **Capital Asset (or Asset).** Capital assets include land, structures, equipment, intellectual property (e.g., software), and information technology owned by the federal government that meet the capitalization criteria in the *Federal Replacements, Units, Service Lives, Factors Book* (i.e., Replacements Book). Capital assets include not only the asset as initially acquired but also all additions, betterments, and replacements (see RM D&S *Depreciation and Amortization* (FIN 07-23)).
- C. **Construction Activity.** Any activity to rehabilitate, renovate, or replace existing assets or to develop new assets. Construction activities are performed by Reclamation staff (i.e., force account work or in-house labor) or accomplished through a construction contract or force account work and include the procurement of equipment and materials

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that are to become a fixed part of Reclamation facilities.

- D. **Feature.** A group of assets that are interdependent and must function together to provide an authorized project benefit.
  - E. **Permanent Suspension.** Status of a PP&E construction activity that the DC- PAB and the DC-O have determined, due to financial, technical, legal, political, or other reasons, has no reasonable expectation that construction activity can be completed. 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.
  - F. **Project Manager.** The person assigned by a director 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.
  - G. **Suspension.** The status of a construction activity when it is halted and cannot proceed due to financial, technical, legal, political, or other reasons, which are not identified in the construction activity plan, or cannot be resolved within Reclamation's control.
  - H. **Suspension Approval Memorandum.** A document issued by the DC-O which includes concurrence by the DC-PAB in response to a *Request for Suspension of Construction Activity* from a regional director. An approval memorandum is a decisional, internal document.
  - I. **Temporary Suspension.** Status of a PP&E construction activity that the DC-PAB and DC-O have determined is suspended (not permanently), because of financial, technical, legal, political, or other reasons, with a reasonable expectation construction activity 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 (other than permanent removable from service).
9. **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

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Filed by: \_\_\_\_\_

Date: \_\_\_\_\_