

Reclamation Manual

Directives and Standards

Subject:	Construction in Abeyance (CIA)
Purpose:	Establishes the Bureau of Reclamation's requirements and procedures for the valuation and recording of suspended construction of general property, plant, and equipment (G-PP&E). The benefit of this Directive and Standard (D&S) is the Reclamation-wide standardization of the valuation and recording of suspended construction activities.
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, Mission Support Organization (MSO)
Contact:	Business Analysis Division, Compliance and Audit Team (84-27410)

1. **Introduction.** Reclamation's G-PP&E includes land, assets under construction (AUC) (also known as construction in progress (CIP)), CIA, buildings, structures, data processing software, and equipment. Reclamation capitalizes costs incurred for G-PP&E in accordance with [SFFAS 6](#) and Reclamation Manual (RM) D&S, *General Property, Plant, and Equipment (G-PP&E)* ([FIN 07-20](#)). Reclamation records impairments, disposals, and removal from service in accordance with [SFFAS 6](#), [SFFAS 44](#), and [TR 14](#). Reclamation uses the CIA general ledger (GL) account to record costs associated with temporarily suspended construction activities pending management's decision to permanently suspend the activity or restart construction.
2. **Applicability.** This D&S applies to all Reclamation staff involved in managing, overseeing, or recording transactions for any project, feature, or asset. This D&S does not apply to internal use software; refer to RM D&S, *Computer Software Costs* ([FIN 07-32](#)).
3. **Definitions.**
 - A. **Assets Under Construction or AUC.** Also known as CIP. G-PP&E construction costs that meet the requirements for capitalization are AUC until the work is substantially complete as stated in the project management plan. Refer to RM D&S, *Assets under Construction (AUC)* ([FIN 07-24](#)) for additional information.
 - B. **Construction Activity.** Any activity to develop new assets or rehabilitate, renovate or replace existing assets. Construction activities are performed by Reclamation staff

Reclamation Manual

Directives and Standards

(i.e., force account work or in-house labor) or accomplished through a construction contract or force account work and include the acquisition of equipment and materials that are to become a fixed part of Reclamation's facilities.

- C. **Construction in Abeyance or CIA.** Construction activities approved by Reclamation management, as outlined in Temporary RM Release (TRMR), *Determination to Suspend an Authorized Construction Activity* ([CMP TRMR-88](#)), to be identified as temporarily suspended.
 - D. **Impairment.** A significant and permanent decline, in whole or in part, whether gradual or sudden, in the service utility of G-PP&E or expected service utility for AUC. The events or changes in circumstances that lead to the impairment 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, find it sufficiently predictable to be considered in estimating the G-PP&E's useful life. Refer to RM D&S, *Accounting for the Partial Impairment of General Property, Plant, and Equipment (G-PP&E)* ([FIN 07-27](#)) for additional information.
 - E. **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.
 - F. **Permanent Suspension.** A G-PP&E construction activity status the Deputy Commissioner-Policy, Administration, and Budget and Deputy Commissioner-Operations have 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.
 - G. **Service Utility.** The usable capacity that at acquisition Reclamation expected to use to provide service; distinguished from the level of utilization, which is the portion of the usable capacity currently used.
 - H. **Temporary Suspension.** An other than permanent G-PP&E construction activity status management (in accordance with [CMP TRMR-88](#)) determined is temporarily suspended, because of financial, technical, legal, political, or other reasons, with a reasonable expectation construction activity can be completed in the future.
4. **Responsibilities.** See [CMP TRMR-88](#) for regional directors' and project managers' responsibilities.
- A. **Director, Policy and Administration (POLICY).** In addition to the responsibilities in [CMP TRMR-88](#), the Director, POLICY is responsible for:

Reclamation Manual

Directives and Standards

- (1) developing the suspension approval memorandum for management within 45 days of receipt of a Request for Suspension of Construction Activity; and
 - (2) notifying the regional director when the suspension approval memorandum is sent to the deputy commissioners for approval/disapproval.
- B. **Director, MSO.** The Director, MSO is responsible for reviewing all requests for suspension of construction activity in coordination with POLICY in accordance with [CMP TRMR-88](#).
- C. **Regional Finance Office Personnel.** Regional finance office personnel are responsible for:
- (1) analyzing CIA balances annually to ensure the proper classification of these costs, in conjunction with the project manager, and to ensure all construction activities are included in the annual memos to POLICY;
 - (2) processing the appropriate accounting transactions related to CIA; and
 - (3) ensuring all costs are transferred in accordance with the approval memorandum within the requisite timeframes.
- D. **Regional Budget Officer.** The regional budget officer is responsible for:
- (1) coordinating with the project managers, regional finance offices, and Program and Budget (P&B) to determine the need for temporary budget authority to allow the transfer of costs from the AUC work breakdown structure (WBS) to an expense WBS when expensing costs misclassified as CIA or when permanently suspending costs in CIA;
 - (2) requesting a transaction (FMBB in the funds management module) for temporary budget authority, when required; and
 - (3) requesting the reversal of the FMBB entry after the regional finance office personnel post the journal voucher to transfer the cost.
- E. **Program and Budget or P&B Officer.** The P&B officer is responsible for
- (1) advising the regional budget office on the status of available budget authority to allow the transfer of costs from the AUC WBS to an expense WBS when expensing costs misclassified as CIA or when permanently suspending costs in CIA;
 - (2) approving and processing the FMBB transaction for the budget transfer; and
 - (3) processing the reversal of the FMBB entry upon request from the regional budget officer.

Reclamation Manual

Directives and Standards

5. **Suspended Construction Activity.**
 - A. **Permanently Suspended.** Reclamation records permanently suspended construction activity as either a disposal (full impairment) or a partial impairment. See [FIN 07-20](#) for information regarding disposals and [FIN 07-27](#) for information regarding partial impairments.
 - B. **Temporarily Suspended.** Reclamation records costs associated with a temporarily suspended construction activity in CIA pending a determination of continuing or permanently suspending the construction activity.
6. **Transfers to CIA.** Within 45 days or prior to year-end, whichever comes first, from the receipt of the signed suspension approval memorandum authorizing temporary suspension, the regional finance office will transfer the capitalized costs for a suspended construction activity from AUC (GL 1720.CIP00) to CIA (GL 1720.CIA00) and/or G-PP&E Removed but Not Yet Disposed (GL 1995.00000). The regional finance office will retain a copy of all documentation including the signed suspension, costs transferred, etc. See Appendix A for transactions pertaining to CIA transfers.
7. **Valuation of CIA.** The transfer of construction activities to CIA requires the transfer of historical costs in AUC, to date, of those construction activities. Costs will remain in CIA at their historical value until the construction activities receive a determination on their final disposition.
8. **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 includes any capitalized IDC in the cost of the activity when it transfers the suspended construction activity from AUC to CIA. Reclamation does not retroactively compute and record IDC if it 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.
9. **Treatment of Operations and Maintenance Costs.** Upon placement of a construction activity into abeyance, significant uncertainties exist regarding eventual completion of the project.
 - A. 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.
 - B. 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.

Reclamation Manual

Directives and Standards

10. **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 (matching expenses against revenue in the same accounting period).
11. **Review of CIA.**
- A. 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 as long as they include the minimum data listed. The regional finance office prepares the form and forwards it to the applicable project manager.
 - B. 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 March 31 per [CMP TRMR-88](#). The project manager also completes any necessary documents for construction activities identified in the review as eligible for transfer.
 - C. 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 April 30.
12. **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 water quality issues, soil issues, design flaws, drainage issues, environmental or endangered species issues, project resistance by local residents, or a lack of funding.
- A. **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](#)), the regional finance office will transfer costs from CIA to AUC within 45 days from receipt of the regional director's concurrence. The regional finance office must have documentation of the regional director's concurrence that the temporarily suspended construction activity can resume before performing any accounting transactions transferring costs from CIA.
 - B. **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

Reclamation Manual

Directives and Standards

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. The regional finance office will transfer the relevant costs within 45 days from receipt of the signed suspension approval memorandum.

- C. **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 removes all capitalized costs incurred for the de-authorized construction activity as a loss in the period of de-authorization or removes the costs from the memo accounts if previously written off.

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: _____