Subject: Completion of a Construction Activity

Purpose: To establish procedures and requirements for the completion of construction activities and transferring operation and maintenance (O&M) of project works to water user organization O&M status.

Authority: Reclamation Project Act, Section 6 (Act of June 17, 1902; 32 Stat. 389; 43 USC 491, 498); and Reclamation Extension Act, Section 5 (Act of August 13, 1914; 38 Stat. 687; 43 USC 492, 499)

Approving Official: Director, Policy and Administration (POLICY)

Contact: Asset Management Division, 84-57000

1. **Introduction.** This Directive and Standard (D&S) defines the procedures and requirements for the completion of construction activities, including 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 TRMR-72), 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 TRMR-92).

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. **Definitions.**

   A. **Authorized Project.** A statutorily authorized project consisting of an assembly of significant features and supporting assets required to provide the benefit(s) authorized into law by Congress. This is not synonymous with a construction activity or a project as defined in CMP TRMR-72. The manager responsible for managing an authorized project (i.e., area manager) is not typically a project manager (PM) of a construction activity.

   B. **Capital Asset (or Asset).** Capital assets include land, structures, equipment, and intellectual property (e.g., software) owned by the Federal Government that meet the capitalization criteria. Capital assets include not only the asset as initially acquired but also costs meeting the criteria for classification as additions, betterments, and replacements (see Reclamation Manual (RM) D&S Depreciation and Amortization).
Capital assets include facilities for which Reclamation has transferred O&M responsibilities with Reclamation retaining the title but do not include facilities for which Reclamation has transferred title to a non-Federal entity.

C. **Construction Activity.** For the purpose of this D&S, any non-recurring activity to develop new features or assets, or rehabilitate, renovate, or replace existing assets. A construction activity meets the definition of a project for the purposes of Project Management per TRMR-72.

D. **Construction Manager.** For the purposes of this D&S, the construction manager is the person assigned by the regional director or designee to administer a construction activity.

E. **Independent Asset.** An asset that, by itself, provides a benefit to an authorized project; an asset that does not require another asset to be operated, used or occupied.

F. **Interdependent Assets.** The aggregation of multiple assets that are functionally or operationally dependent. All of the interdependent assets must function in order to deliver the designed benefit or perform the design operation.

G. **Program Manager.** The person assigned by Reclamation to manage long term, indefinite activities. A program manager may serve as the project manager. In this document the two are taken as the same when the program manager fulfills the responsibilities assigned to the project manager. Project managers generally coordinate with program managers on activities that impact the program. For example, a program manager may manage a program area such as managing the operation and maintenance of canals (long term). They may also temporarily be a project manager if Reclamation has a construction activity they are overseeing (short term).

H. **Project.** A temporary endeavor undertaken to create a unique product, service, or result.\(^1\) A project has a discrete and definable initiation and conclusion. A project has a unique deliverable in that there may not be a preexisting blueprint for the project’s execution, and there may not be a need to repeat the project once it has been completed. Not to be mistaken with an authorized Project.

I. **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.

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J. **Project Manager or PM.** As it applies to construction activities, the person assigned by Reclamation 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.

K. **Responsible Operating Office.** Reclamation area office having jurisdiction over the asset after completion of the construction activity.

L. **Substantial Completion.** Management’s determination that a stage of a construction or construction activity or a designated portion of the construction activity is sufficiently complete, in accordance with the criteria in a construction activity project management plan, so Reclamation can use, operate, or occupy that stage of the construction activity or designated portion thereof for the 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 that construction contract.

4. **Responsibilities.**

A. **Area Manager.** The area manager is responsible for:

   (1) participating in construction activity completion inspections;

   (2) reviewing and approving substantial completion concurrence documentation;

   (3) transmitting the substantial completion concurrence documentation to the operating entities, if applicable and delegated; and

   (4) transmitting copies of the final substantial completion concurrence documentation with RD concurrence.

B. **Construction Manager.** The construction manager is responsible for:

   (1) administering construction activities;

   (2) developing the construction management plan in accordance with RM D&S, *Construction Activities* (FAC 03-02);

   (3) managing the construction staff to ensure compliance with the drawings and specifications; and

   (4) determining the status of the construction contract and providing construction status updates to the project manager.
C. **PMs.** PMs are responsible for:

(1) in addition to performing the functions in CMP TRMR-72, determining if the construction activities meet the criteria for substantial completion in the respective project management plan;

(2) completing the requirements for construction activity closeout per RM D&S Design Activities (FAC 03-03) ensuring compliance with laws and regulations related to repayment, cost allocation, and recovery of interest expense;

(3) preparing and coordinating construction activity completion inspection;

(4) preparing and coordinating approval by the responsible area office(s);

(5) coordinating concurrence with RD;

(6) coordinating with RFO and completing the requirements for construction closeout per FAC 03-03;

(7) providing all cost-share data to the respective RFO; and

(8) reviewing and certifying quarterly Assets Under Construction (AUC) form.

D. **RDs.** RDs are responsible for:

(1) concurring with the determination that an activity has met the criteria for substantial completion, as outlined in the respective Project Management Plan;

(2) ensuring the asset is not operated, used, or occupied until the criteria for substantial completion, as outlined in the respective project management plan, is satisfied;

(3) documenting and maintaining the necessary procedures to comply with this D&S;

(4) delegation, pursuant to Paragraph 5.C of the RM Delegations of Authority, for determination that an activity is complete that is scalable commensurate with the complexity of the respective activity; and

(5) ensuring the decision to construct has been formally documented.

E. **Regional Finance Office (RFO).** The Regional finance office is responsible for:
(1) coordinating and analyzing the AUC quarterly review;

(2) reviewing the quarterly status of construction activity in AUC reported by the project manager;

(3) assisting the project manager in the determination of when costs should transfer out of AUC;

(4) maintaining completed analysis forms to verify quarterly review;

(5) maintaining documentation supporting the AUC amount immediately after the transfer; and

(6) transferring AUC to Property, Plant, and Equipment (PP&E).

5. **Types of Transfers.** There are two types of transfers associated with the completion of a construction activity involving real property. One is the transfer of costs from the AUC general ledger to the PP&E general ledger. The other is when Reclamation is transferring the responsibility for O&M of an asset to a water user organization or another Federal agency.

A. **Transfer to PP&E.** Once the RD (or a representative of the RD with delegated authority) provides written concurrence for the construction activity completion documentation, the RFO transfers the costs (including the non-Federal partner’s cost share) from AUC to the appropriate PP&E account in accordance with FIN TRMR-92.

B. **Transfer to Water User Organization for O&M.** Reclamation law provides for the transfer of the responsibility for O&M of constructed facilities to water users or other legally authorized organizations. Title to all project works will remain with the United States until the Congress of the United States provides 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.

C. **Transfer to another Federal Agency.** If Reclamation constructs the asset for another Federal agency, the RFO transfers costs from AUC to PP&E, and then transfers the asset to the other Federal agency.

6. **Facilities, Equipment, and Supplies.** Features and/or assets resulting from a construction activity will be transferred from AUC to plant upon receipt of the substantial completion documentation signed by the RD (RM Delegations of Authority, Paragraph 6.N.(2)). Title to the facilities will remain with the United States until the Congress of the United States
provides otherwise. Title to equipment and supplies may be transferred provided appropriate arrangements for repayment are made.

A. Under certain conditions, some facilities may be held as "reserved works" (i.e., those required for protection of Government works or those serving multiple purposes or several irrigation entities), and it may be appropriate to hold some of the equipment for the same reasons.

B. When not required for reserved works, equipment may be used by a water user organization for O&M of facilities placed in its care under rental agreements or other appropriate controls to ensure proper cost distribution among the different purposes or entities. Replacement cost of O&M equipment during Reclamation O&M will be charged to construction or O&M accounts, as appropriate. If used jointly, the cost will be assigned in proportion to use.

C. When O&M of the equipment 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.

7. **Construction Activity Completion Process.** An asset may not be used, operated, or occupied prior to the RD’s written concurrence with the PM’s determination that the substantial completion criteria has been met. On the date of concurrence with the construction activity completion documentation (see Paragraph 8), responsibility for O&M passes from the construction activity lead to the respective area manager. The transfer will not preclude later charges to the principal obligation for completions and corrections found necessary and documented during transfer inspections. See Appendix A.

A. PM provides the expenditure data or cost share data from the non-Federal partner (if applicable) to the regional finance office for posting to FBMS at least annually or more frequently in accordance with the cost share agreement (i.e., quarterly, annually, upon construction activity completion, etc.).

B. PM reviews construction activities and determines that the criteria for substantial completion has been met per the respective project management plan.

C. PM advises the RFO, area manager, and operating entity or operating office, as applicable, when all elements of the construction activity appear to meet the substantial completion criteria.

D. PM prepares a description of the construction stage(s) to be inspected, coordinates the inspection prior to requesting concurrence that the construction activity is substantially
complete. If the transfer involves a SOD modification, information on the design intent (i.e., risk reduction) will be included.

E. PM sends the document developed in Paragraph 8.D through the responsible engineer of record, or the SOD office for SOD modifications, to the Reclamation area office having jurisdiction over the asset after completion of the construction activity and, if applicable, the operating entity.

F. The PM will seek approval from the responsible operating office that the criteria for substantial completion, as outlined in the respective project management plan, appears to have been met prior to conducting the construction activity completion inspection.

G. PM schedules the construction activity completion inspection to include representatives from the following offices:

(1) the office in charge of construction contract inspection (if applicable);

(2) the office responsible for the design (if applicable);

(3) a safety and occupational health specialist;

(4) the office doing future routine O&M inspections;

(5) the Reclamation area office responsible for operating and maintaining the asset in the construction activity; and

(6) the Reclamation area office, based on whether the facility was a SOD modification, constructed under Denver- or regional-issued specifications.

H. All construction activities must be inspected when the PM has determined the asset has met the substantial completion criteria. This inspection can be scaled to the level of complexity of the construction activity, as determined by the PM. The inspection will, at a minimum, address the following and be documented in a construction activity completion inspection report:

(1) A general description of the facility being transferred, including equipment and buildings. If it is a SOD modification, state purpose.

(2) A description of the general condition and sufficiency of the structures and equipment being transferred.

(3) The availability of necessary equipment and instructions, required construction documentation, including Designers’ Operating Criteria, Design Summary,
revised Standing Operating Procedures, Emergency Action Plan, first filling and monitoring criteria, and other appropriate operating documents. Where the required instructions and documentation are not completed, a schedule for their completion will be included.

(4) The status of "as-built" drawings and a construction contract close-out report as applicable. These documents are to be finalized within 90 calendar days of the RD’s concurrence that the criteria for substantial completion, as outlined in the respective project management plan, has been met. The cost to prepare the drawings and report will be charged to construction funding. If the drawings and construction report are not completed at the time of transfer, a schedule for their completion will be included, but must not exceed 90 days.

(5) Any construction activity decisions by the PM, or with the PM’s concurrence in the case of construction contract decisions, affecting the operation of the facilities that impacted the performance, efficiency, or reliability of the facility.

(6) Deficiencies found during the inspection with information on which organization is responsible for correcting each deficiency and the funds to be used in accordance with existing budgetary policies. Include work items needing completion, recommendations made during the transfer inspection, observations not considered construction deficiencies but which would be valuable information for future examiners, and photographs of newly constructed or modified features as well as other items noted in the inspection report for future reference.

8. **Substantial Completion Concurrence Documentation Contents.** The PM will prepare the substantial completion concurrence documentation for each asset that has met the substantial completion criteria. An example of a substantial completion concurrence documentation is attached as Appendix B. The documentation must address the following:

   A. Project type (i.e., basic, standard, complex, or complex with OMB business case);

   B. Asset name, location, and name of authorized project where the asset is located;

   C. Project manager name, title, duty station, and office mail code;

   D. List of relevant specification numbers used in the construction activity (if applicable);

   E. The Reclamation office having jurisdiction over the asset following completion of the construction activity;

   F. The date of the construction activity completion inspection;
G. Description of any significant deficiencies that would impact the future function of the asset;

H. Name of the concurring official with delegated authority; and

I. Date of concurrence.

9. **Substantial Completion Concurrence Documentation Routing and Copies.** Following the concurrence that the asset has met the substantial completion criteria, the PM transmits the concurrence documentation as follows.

A. The PM will send a copy of the concurrence documentation to the RFO within two business days after the date of concurrence.

B. The PM will send a copy of the substantial completion concurrence documentation to Management Services Office, Finance and Accounting Division, Attention 84-27700, within 90 days.

C. The PM will send a copy of the substantial completion concurrence documentation to POLICY, Attention: 84-57000, within 90 days. The PM will attach the construction activity completion report to the substantial completion concurrence documentation.

D. In the case where the O&M of the asset is to be performed by a water user organization, the PM will send copies of the report to the water user organization within 90 days. The PM will attach the construction activity completion report to the substantial completion concurrence documentation.

E. The PM will send copies to specific offices within the region and area offices which need to be aware of the asset completion status, and to those who participated in the construction activity completion inspection.

10. **Cost of a Construction Activity 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 water user for O&M, the cost for conducting the construction activity completion inspection will be treated as a project-specific O&M cost.

11. **When to Transfer.** The transfer from construction status to O&M status will occur as soon as the RD has concurred with the transfer inspection report indicating that the asset can be operated, used, or occupied and that the criteria for substantial completion, as outlined in the respective Project Management Plan, has been met. The PM will transmit the substantial completion concurrence documentation to the RFO as indicated in FIN TRMR-92. Upon
RD, or designee, concurrence that the asset has met the criteria for substantial completion, and can be used, operated or occupied, the RFO will transfer the asset to plant and the respective regional program office will transfer the asset to O&M status.