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borrower must ensure that the contractor selected meets all Federal and State licensing and bonding requirements, and that the contractor maintains the insurance coverage required by the contract for the duration of the work. (See 7 part CFR 1788)

(d) Upon completion and final inspection of the construction the borrower shall obtain from the Contractor a final invoice and an executed copy of RUS Form 743, Certificate of Contractor and Indemnity Agreement.

(e) RUS Contract Form 773 may also be used to contract for the maintenance and repair of telephone equipment and facilities. Generally, RUS will not finance maintenance and repair contracts.

[55 FR 3573, Feb. 2, 1990. Redesignated at 55 FR 39397, Sept. 27, 1990, and amended at 59 FR 43718, Aug. 25, 1994]

§ 1753.79 Construction by force account.

The borrower shall require that:

(a) Minor construction by the force account method be supervised by a competent foreman. The work shall be performed in accordance with all regulatory and safety codes.

(b) Daily time and material reports, referenced by the work project number, shall be kept to record labor and materials used as construction is performed.

(c) The construction foreman shall maintain a tabulation of all construction units installed.

§ 1753.80 Minor construction procedure.

(a) If the borrower performs minor construction financed with loan funds, the borrower's regular work order procedure shall be used to administer construction activities that may be performed entirely by a contractor under Form 773 contract, by work order, or jointly by work order and one or more contractors under Form 773 contracts.

(b) RUS financing under Form 773 contracts dated in the same calendar year is limited to the following amounts for the following discrete categories of minor construction. The date of the Form 773 contract is the date the Form 773 contract is executed.

(1) For outside plant construction, the limit is \$500,000 or ten per cent

(10%) of the borrower's previous calendar year's outside plant total construction, whichever is greater.

(2) For central office equipment, the limit is \$500,000.

(3) For special equipment and buildings, the limit is \$250,000 in each category.

(c) A single minor construction project may be a discrete element of a somewhat larger overall project, such as the provision and installation of a standby power generator or heating/air conditioning equipment in connection with a building modification or expansion project or the splicing on a major cable placement project. It cannot be a portion, by dividing into smaller segments, of a discrete major construction project, such as the placement of a continuous cable facility.

(d) RUS approval must be obtained in advance for minor construction unless all of the following conditions are met:

(1) RUS has approved the engineering design.

(2) All standard RUS procedures are followed, including use of new materials listed in the List of Materials for Use on Telephone Systems of RUS Borrowers (Bul. 344-2) and the application of RUS construction practices. (See § 1753.6)

(3) The Standard Form 773 contract is used without modification.

(e) The borrower shall determine the scope of each proposed construction project and decide how it will be constructed. A work project number shall be assigned to which all charges for that project are referenced.

(f) The borrower shall maintain accounting and plant records sufficient to document the cost and location of all construction and to support loan fund advances and disbursements.

(g) Normally the borrower will finance minor construction with general funds and obtain reimbursement with loan funds when construction is completed and executed Form 771 has been submitted to RUS. If a borrower satisfies RUS of its inability to finance the construction temporarily with general funds, RUS may establish, on a case by case basis, a work order fund for specific construction projects. The work order fund will be closed upon receipt of an FRS and the executed Forms 771

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for the specific projects for which the work order fund was established.

(h) RUS will advance funds to finance minor construction work projects only if all necessary documents, including an FRS and supporting data covering the project, are received within one year of the date construction of the project is completed.

[55 FR 3573, Feb. 2, 1990. Redesignated at 55 FR 39397, Sept. 27, 1990, and amended at 59 FR 43718, Aug. 25, 1994; 64 FR 16612, Apr. 6, 1999]

§ 1753.81 Inspection and certification.

(a) Upon completion and prior to closeout, minor construction must be inspected and certified to be in compliance with RUS construction standards, to be reasonable in cost, and to meet applicable codes. The certification is made by an experienced telephone engineer who is either licensed in the state where the inspection will be performed, or is a borrower's staff engineer, who meets the requirements of the "employee in charge" of force account engineering as described in subpart B of this part. The GFR will periodically audit the inspection of minor construction to ensure integrity of the procedure. RUS borrowers with less than 2000 subscribers may use the above procedure or have construction inspection performed by the GFR.

(b) Engineering services for minor construction may be contracted using RUS Form 245, Engineering Service Contract—Special Services. Costs for these services may be included in the costs for construction on the Form 771. (See subpart B of this part.)

(c) Upon completion of construction, the borrower shall obtain the engineer's certification on RUS Form 771. An official of the borrower, designated by the board of directors, shall also execute the borrower's certification on Form 771.

[54 FR 39267, Sept. 25, 1989. Redesignated at 55 FR 39397, Sept. 27, 1990, and amended at 55 FR 53488, Dec. 31, 1990]

§ 1753.82 Minor construction closeout.

(a) For minor construction inspected by the borrower's engineer, an original and two copies of Form 771 shall be sent to the GFR. The GFR will initial and return the original and one copy.

(b) When funds are requested for minor construction, the original Form 771 signed or initialed by the GFR, shall be submitted with the FRS. Forms 771 should be submitted only with the FRS which they support. RUS does not encumber funds pursuant to Forms 771 unless an advance is made to the borrower. (See 7 CFR part 1744 subpart C).

§§ 1753.83–1753.90 [Reserved]

Subpart J—Construction Certification Program

SOURCE: 55 FR 3574, Feb. 2, 1990, unless otherwise noted. Redesignated at 55 FR 39397, Sept. 27, 1990.

§ 1753.91 General.

(a) This subpart implements and explains the provisions of the loan documents setting forth the requirements and procedures to be followed by borrowers accepting nomination for the construction certification program. Terms used in this subpart are defined in § 1753.2.

(b) [Reserved]

(Approved by the Office of Management and Budget under control number 0572-0062)

§ 1753.92 Policies and requirements.

(a) It is RUS policy that, as borrowers gain in experience and maturity, the advice and assistance rendered by RUS shall progressively diminish. Prior to approval of a loan, RUS may nominate certain borrowers to fulfill the responsibilities for administration and construction of projects financed with RUS loans. Borrowers who accept this nomination will be known as "certification borrowers," and the program in which they participate will be known as the "certification program."

(b) Generally, initial loan borrowers are not eligible for the certification program.

(c) Generally, the factors which RUS will consider in selecting borrowers for the certification program will include:

(1) The experience of the staff of the borrower.