CHAPTER 6

LABOR COSTS AND LABOR COST CORRECTIONS

6-1. General. This chapter prescribes the accounting policy for recording labor costs and correcting labor errors. The objective is to ensure that each Corps of Engineers team member understands the importance of correctly recording time and labor costs in the Corps of Engineers Financial Management System. This chapter applies to all Corps of Engineers team members.

6-2. Policy.

a. The Corps of Engineers is a project oriented organization and as such, time and labor must be appropriately recorded to the benefiting project.

b. Pursuant to the provisions of 31 USC 1301, labor hours actually worked on a specific project or reimbursable order must be costed and posted to that project or reimbursable order. Accordingly, legitimate labor costing errors must be promptly corrected using prescribed labor cost transfer procedures. Under no circumstances will labor hours actually worked on a specific project or reimbursable order be charged, transferred, or posted to another project or reimbursable order, a departmental overhead account, a general and administrative overhead account, or a shop and facility account to:

(1) Compensate for funding shortfalls.

(2) Clear or avoid labor rejects.

(3) Liquidate or reduce balances in accounts with funds that will expire at the end of the current fiscal year.

(4) Eliminate or avoid credit balances in accounts resulting from posting of labor actually worked.

(5) Mask potential anti-deficiency act violations.

(6) Mask cost overruns.

(7) Facilitate performance of work in advance of receipt of funds.

(8) Avoid reprogramming actions.

c. It is the policy of the Chief of Engineers to identify the recording of labor costs and other application of fiscal performance measures. These requirements should be a part of

performance standards for all work leaders, labor certifying supervisors, project managers, and division and staff/office chiefs.

d. Methods of Determining Labor Cost Rates. Employees of division and district will be paid initially from the Revolving Fund. The labor and payroll account will be charged with the gross earnings of these employees and credited with labor costs distributed. Labor costs applicable to civilian employees will be determined by one of the following methods:

(1) Actual Pay Method. Under this method, the labor cost rates are equivalent to the actual pay rates, and the labor costs distributed for each pay period equal the amount of the gross earnings. This method is applicable to the services of (a) employees not entitled to annual or sick leave, (b) other employees entitled to leave with pay but who are transferred to district rolls for pay purposes only or for temporary purposes such as care and custody of excess military installations pending disposal, and (c) consultants.

(2) Effective Time Method. Under this method, the labor cost rates for the regular tour of duty consist of actual pay rates increased to include a factor for all leave with pay. Labor costs for night differential, overtime and holiday pay are computed at the actual pay rates. This method is applicable to the services of employees entitled to leave with pay <u>except</u> as provided in subparagraph (1) above. The effective time method provides the means to:

(a) Charge projects/work items for time actually worked at a rate which will absorb the amount of pay for annual and shore leave accrued, sick or other leave taken, holidays, administrative leave allowed, severance pay entitlement, and continuation pay for traumatic job-related injuries.

(b) Accumulate a balance in the labor and payroll account to approximate the monetary value of annual and shore leave due employees under the effective time method.

(c) When employees receive cost of living allowance (COLA) it is necessary to compute the COLA on the effective pay rate. This provides the reserve to which the labor cost is absorbed when the employee is on leave.

(3) Average Rates for Groups of Employees. Under this method, an average effective time hourly rate is established and used for costing labor of employees engaged in a common activity such as shops, floating plant, executive, advisory and administrative functions. Equitable costing as well as economy are prerequisites for use of the average effective labor rate

method.

e. Supervisors will maintain appropriate documentation that provides support for their subordinate's time, attendance and labor submission.

f. Project managers will direct all team members to **stop work** on a project upon exhaustion of funds and notify the customer that work is stopped until the funding issue is resolved.

g. Finance and Accounting Officers are responsible for ensuring that all financial transactions are valid and properly processed into the accounting system. Their responsibilities include coordinating with project managers to ensure that all dispute account transactions are promptly researched, corrected, and resubmitted, identifying characters, which indicate that the transaction is a labor cost transfer. F&A Officers are responsible for reviewing requests for labor cost transfers to ensure that justifications are reasonable and properly approved. The F&A Officer is responsible for immediately notifying the appropriate project manager of any funding problem.

h. RMO's are responsible for ensuring that policies outlined in this chapter are in place and working effectively. They are responsible for leading the effort to provide local training regarding project labor costing and fiscal responsibility.

6-3. Labor and Labor Costs Corrections Procedures. Accounting procedures for proper labor costing can be found at: http://www.usace.army.mil/inet/functions/rm/finance/finance.htm