Chapter 6

LABOR COSTS AND LABOR COST CORRECTIONS

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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 employee understands the importance of correctly recording labor costs in the Corps of Engineers Financial Management System (CEFMS). This chapter applies to all Corps of Engineers employees.

6-2. Policy.

a. The Corps of Engineers is a project-oriented organization. Labor costs are appropriately charged to the benefitting project, customer, facility, overhead or leave account.

b. Labor costs are subject to the provisions of 31 USC 3512(e) and the Statement of Federal Financial Accounting Standard #4, paragraph 49, which requires each agency to record, accumulate and allocate managerial costs on an accrual basis. Labor costs are recorded through the end of each month using the early labor cutoff procedures in CEFMS.

c. Pursuant to 31 USC 1301, labor hours actually worked on a specific project or customer order are charged to that project or customer order. Accordingly, legitimate labor costing errors or corrections to estimated labor must be processed promptly. Under no circumstances will labor hours actually worked on a specific project or customer order be charged or transferred to another project or customer order, a departmental overhead account, a general and administrative overhead account, or a shop and facility account to:

(1) Compensate for funding shortfalls;

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

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

(4) Mask potential anti-deficiency act violations;

(5) Mask cost overruns;

(6) Facilitate performance of work in advance of receipt of funds;

(7) Avoid reprogramming actions.

d. It is the policy of the Chief of Engineers to identify the recording of labor costs and other applications of fiscal performance measures as part of performance standards for all labor certifying supervisors or work leaders, program/project managers, and division/staff office chiefs.

e. Program, project or facility account managers will direct all team members to **stop work** on a project or other work order upon exhaustion of funds and notify customers that work is being stopped until the funding issue is resolved.

f. Methods of Determining Labor Cost Rates. Employees are initially paid from the USACE Revolving Fund. The labor and payroll account is charged with the gross earnings of these employees and credited with labor cost distributions. USACE uses the 'Effective Time Method.' Under this method, the labor cost rates for the regular tour of duty and overtime consist of actual pay rates increased to include the cost of government-provided benefits and a factor for all paid leave. Labor costs for night differential and holiday pay are computed at the actual pay rate. The effective time method provides the means to:

(1) Charge projects or customer orders 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 granted, severance pay entitlement, and continuation pay for traumatic job-related injuries.

(2) Accumulate a balance in the labor and payroll account to approximate the monetary value of annual leave, shore leave, restored leave, compensatory time, travel compensatory time, and credit hours, to include the associated amounts for Medicare (MDCR) and Old Age/Survivors Disability Insurance (OASDI) due employees.

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

(4) 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, and executive, advisory and administrative functions. Equitable costing as well as economy are prerequisites for use of the average effective labor rate method.

g. Supervisors are required to maintain documentation of each employee's labor submission for audit purposes. See ER 37-1-30, chapter 9.

h. Resource management officers 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.

a. Labor charges will automatically post to the cited work item regardless of funds availability. Labor charges made in excess of a labor purchase request available balance will reduce the appropriate funding account and can result in a negative fund account balance. When this occurs the responsible employee for each work item is notified via electronic mail from CEFMS. Appropriate action must be taken immediately as, if not corrected in a timely manner, an Anti-Deficiency Act violation can occur.

b. Costs charged to programs, projects, facilities, or customer orders are based on actual work performed. Departmental Overhead and General and Administrative overhead costs are allocated based on direct labor charges, ensuring an equitable distribution of overhead in accordance with accounting standards. Overhead adjustments (cost transfers) are not processed for the purpose of decreasing or expending the balance on a completed work activity or customer order, or for the purpose of concealing a shortage of funds in a program, project, facility or customer order.

c. Labor costs transfers will be prepared by the initiator and approved by the employee, the employee's supervisor, and either the program manager, project manager, facility account manager, program analyst, or responsible employee for the funded work items on both sides of the transaction. The following information is required:

(1) Identification and signature of the individuals who determined the need for the labor cost transfer;

(2) The timeframe for the transaction;

(3) Erroneous labor charge code and correct labor charge code;

(4) Cost hour type;

(5) Organization code;

(6) Number of hours to be adjusted;

(7) Explanation/justification for the transfer.

d. The initiator enters the labor cost transfer into CEFMS and submits the approved form to the Resource Management Office (RMO). RMO personnel ensure that the transaction is properly supported and the justification is appropriate prior to approving the transaction.

e. Mass transfers of labor costs do not require signatures by each employee and each supervisor; however documentation detailing appropriateness and rationale for the mass transfer is required for audit purposes.

6-4. Accounting Procedures. Accounting procedures for labor and labor cost corrections are available as follows:

a. Finance and Accounting Policy Division webpage.

b. CEFMS User Manual.