Chapter 18

REVOLVING FUND ACCOUNTING FOR SHOP AND FACILITY SERVICES

TOPIC	PARA	PAGE
General	18-1	18-1
Organizational Assignment	18-2	18-1
Reimbursement Policies	18-3	18-2
Fiscal Year Budget and Quarterly Reviews	18-4	18-4
Shop and Facility Procedures	18-5	18-5

CHAPTER 18

REVOLVING FUND ACCOUNTING FOR SHOP AND FACILITY SERVICES

18-1. General.

a. Shop and facility accounts are used to record operations of shops and yards, laboratories, garages, motor pools, survey parties, automation activities, centralized support centers, and other such facilities. The individual accounts provide a means for managing operational effectiveness and efficiency of each facility. Expenses charged to work items in these accounts typically include labor, materials and supplies, depreciation, equipment usage, insurance, acquisition of tools and equipment below the investment threshold, and applicable centrally billed support costs.

b. Shop and facility services of a unique nature not specifically provided for in the RF21-RF58 series of work items will be accounted for in the RF59 series. Advance HQUSACE (CERM-F) approval is required prior to establishing child work items in the RF59 series. Requests for approval must contain a description of the child work item to be established, justification for use, the expected duration of the activity and the proposed method for distributing costs. Each request will be evaluated on individual need and merit and will not constitute a precedent for creation of similar child work items. As a general rule, approvals are indefinite in nature and remain in effect until withdrawn by HQUSACE. Approvals limited to a specific period of time automatically expire at the end of the specified period. Failure to achieve a zero balance in an individual RF59 work item will result in revocation of approval to operate the account.

18-2. Organizational Assignment. Shop and facility accounts may be operated using two distinct scenarios depending on the organizational assignment of employees.

a. When the mission of the organization (as defined by the organization code) is solely to provide facility services, a shop and facility account may be designated as the home work item for the organization. The facility account functions as an indirect cost pool. Operating costs of the facility may be distributed to customers using any of the methods described below. When labor costs for an employee assigned to the facility

are charged directly to projects or other work items, a shop and facility burden (overhead) is applied to recoup the indirect costs of the organization.

b. A facility account may also be used to record and distribute only the incremental cost of providing a facility service. In this case, the employees are assigned to departmental organizations and incremental costs (such as specialized equipment, supplies and materials, contracts, etc.) are charged to the facility account. As labor costs are charged direct to projects or other work items, departmental overhead is applied to the labor of the employee. The incremental costs captured in the facility account are distributed using any of the methods below, excluding the direct charge method. An example is a facility account for Geographical Information System (GIS) operations where employees are assigned to a Consolidated Departmental Overhead organization.

18-3. Reimbursement Policies. Income derived from shop and facility activities must recoup all costs incurred in operation of the activity. Except where otherwise mandated in ER 37-1-30, activities may apply any of the methods listed below to distribute shop and facility service costs. However, once a distribution method for a shop or facility is selected, it must be uniformly applied to all customers. Activities may not vary distribution methods for the same shop or facility service to accommodate customer desires or the customer's ability or willingness to pay for the service based on the established distribution method.

a. Direct Charge Method. The direct charge method provides for automatic distribution of the indirect costs using a predetermined overhead or burden rate. The indirect codes are distributed when the labor of an employee assigned to the shop/facility organization is charged direct to a civil, military, or other revolving fund work item. In this case, any job records are accumulated only in the work item ultimately charged.

b. Standard Rate Method. The standard rate method is a procedure whereby all operating expenses of a facility work item are distributed (charged) to projects or other customers on a standard (predetermined) rate basis. This method requires the establishment of work units (mileage, hours, days, etc.) and a standard unit rate. The standard rate is calculated by dividing total estimated operating costs for the period for which the rate is to be effective by the total number of work units to be billed for the period. Application of that rate to the usage or units

reported allows for recoupment of costs associated with operation of the shop/facility account. Rates are determined on an estimated basis and require frequent reviews of usage data, rates, and account balances to ensure a near zero or nominal balance by year end.

c. Job Order Method. Certain revolving fund shop and facility activities, such as Shops and Yards Operations (RF40), use the job order costing method, whereby costs are assigned to and accumulated for each job. Direct material and direct labor costs associated with each job are identified and accumulated, along with shop/facility overhead applied on direct labor dollars. Job order costing should be used by shops and facilities if the service is being performed to meet customer specification. Unique job order work items are created to track the costs for each job. The shop/facility manager bills customers on a monthly basis to recoup costs and maintain the solvency of the shop/facility account.

d. Actual Cost Method. The actual cost method is a procedure whereby the cost of a given type of service (GSA furnished supplies, consolidated procurements, etc.) is distributed to specific projects, programs, organization work items, or other revolving fund activities based on the actual cost of the service provided to each customer. Under this method, the facility manager must develop an offline method to determine the amount to charge to each customer in order to equitably distribute the costs. Charges distributed to customers represent the actual cost of the items/services received as evidenced by invoices, billing detail files/documents, purchase requests or other supporting documentation.

e. Other Distribution Methods. When costs cannot be economically and/or effectively distributed using one of standard methods discussed above, any distribution method which meets the normal accounting standards for reasonableness, fairness, equity and consistency may be used to distribute shop and facility services unless a specific method of distribution is specified elsewhere in this chapter. HQUSACE approval is required to use methods not described in the paragraphs above. Requests to use alternate distribution methods will be forwarded to CERM-F.

f. Frequency of Distribution. In order to maintain solvency of the Revolving Fund, billings for shop and facility services are normally processed on a monthly basis. In no case may distributions be processed on less than a quarterly basis.

g. Shop and facility accounts which are no longer required will be closed promptly. Any plus or minus balance in the account will be equitably charged or refunded to previous customers in order to bring the account to a zero balance no later than the end of the current fiscal year.

18-4. Fiscal Year Budget and Quarterly Reviews.

a. Commanders must prepare and maintain an operating budget for each Revolving Fund shop and facility account (RF30-59 work items) using the Operating Budget Module in the financial management system. As the focal point for formulation of the overall operating budget, the local Resource Management Office is responsible and accountable for the oversight of the budget formulation process and providing sound financial advice to individual shop and facility managers. Shop and facility managers are responsible and accountable for the actual budget formulation, rate setting, the day-to-day financial management of accounts and the achievement of a zero balance by the end of each fiscal year.

b. In order to ensure that all applicable statutory requirements are met, operating budgets must be constructed to achieve a fiscal year-end balance of zero for each shop and facility account and rates/distribution methods must be established accordingly. Budget execution plans must match expenses to projected income streams. Activities are encouraged to use rates generated in the financial management system to the maximum extent possible.

c. In rare and unusual circumstances, HQUSACE may authorize an operating budget aimed at achievement of a fiscal year-end balance other than zero for a particular shop or facility. Requests for authority should be forwarded to CERM-F for approval. Approvals remain in effect until withdrawn by HQUSACE. A file of HQUSACE approvals must be maintained by the local Resource Management Office.

d. Expense/income studies will be conducted at least quarterly to determine whether or not the budget projections are on track and the existing rates/distribution methods are properly set. These reviews are essential to the effective financial management of shops and facilities as well as achievement of a zero balance at year end and must be completed in a timely manner. Commanders must ensure that all shop and facility managers take appropriate corrective action (reduce spending, surcharge, rebate, increase/decrease rates, etc.) based on the results of these reviews.

e. At the end of each fiscal year, each shop and facility account will be analyzed to determine the degree of effectiveness with which it is managed and to ensure that all statutory requirements are met.

(1) Unless specifically authorized by HQUSACE, each RF59 work item must have a balance of zero at the end of each fiscal year. All other shop and facility accounts will be operated to achieve a balance of zero, but a balance for shops and facilities as a whole falling within a nominal balance range of plus or minus (+ or -) one per cent (1%) of current year expenditures, exclusive of joint cost credits, meets current statutory requirements and is acceptable.

(2) Any balance in an individual shop or facility work item falling outside a nominal balance range or exceeding a special year end balance approved by HQUSACE represents a possible statutory violation and, as a minimum, will require a corrective action plan approved by the local commander. When the overall shop and facility balance at the Major Subordinate Commander (MSC) level falls outside the nominal balance range the MSC will, at minimum, be required to submit a corrective action plan to HQUSACE for approval.

18-5. Shop and Facility Procedures. Accounting procedures for Revolving Fund shop and facility accounts are available at https://kme.usace.army.mil/CoPs/ResourceManagement/FAPolicy/default.aspx.