Chapter 17

REVOLVING FUND INVENTORY

TOPIC	PARA	PAGE
General	17-1	17-1
Definition	17-2	17-1
Policy	17-3	17-1
Responsibilities for Inventory	17-4	17-2
Accounting for Inventory and Warehouse Operations	17-5	17-3
Fabrication of Finished Goods	17-6	17-5
Accounting for Stock Returns	17-7	17-5
Disposal of Excess Stock	17-8	17-5
Management and Analysis of Warehouse Operating Accounts and Burden Rates	17-9	17-6
Procedures	17-10	17-7

CHAPTER 17

REVOLVING FUND INVENTORY

17-1. General. This chapter prescribes the accounting policy and procedures for the operation of warehouse activities financed by the Revolving Fund. This chapter does not apply to inventory acquired or maintained for a specific civil works project. This chapter is used in conjunction with the following references:

a. Department of Defense (DoD) Instruction 5000.64, Accountability and Management of DoD Equipment and Other Accountable Property.

b. DoD 7000.14-R, Financial Management Regulation.

c. ER 700-1-1, USACE Supply Policies and Procedures.

17-2. Definition. Revolving Fund inventory is tangible personal property or materials held for sale to multiple civil works projects or other Revolving Fund customers. Inventory also includes materials in the process of production or fabrication for sale to projects, as well as common goods used to provide Revolving Fund services for a fee.

17-3. Policy.

a. CERM-F may authorize Revolving Fund inventory accounts when it is more economical and/or efficient to purchase and maintain common goods or materials for sale to multiple civil works projects or other Revolving Fund customers. Requests to establish a Revolving Fund inventory account are submitted to CERM-F for approval.

b. Revolving Fund inventory accounts are not used to maintain items readily available on the open market or through the Government Purchase Card Program. Activities may not maintain office supplies in a Revolving Fund inventory account.

c. Revolving Fund inventory items are common in nature and are held for sale to multiple customers. Property

accountability for Revolving Fund inventory is maintained in the Corps of Engineers Financial Management System (CEFMS).

d. Revolving Fund inventory accounts are not used to finance property, spare parts, or repair items under specification or unique to a single civil works project or asset, a military project or asset, or a single Revolving Fund asset or activity, including dredges and floating plant. Project is defined as a unique project work item as shown on a Work Allowance Document or as reported on ENG Form 3011a. Items that are not common in nature are acquired by the project, the plant operating account, or other appropriate funds. See Chapter 2 of this regulation.

e. Prompt reimbursement is required from all customers. USACE Logistics Activity (ULA) personnel and other Accountable Officers must process billings in CEFMS for all inventory issues on no less than a monthly basis.

f. As the Revolving Fund operates entirely within its own receipts, every effort is required to preclude losses in the inventory accounts caused by obsolete, excess, or unusable inventory items. Activities may not donate Revolving Fund stock to others. Every effort will be made to dispose of excess or obsolete stock at book cost.

17-4. Responsibilities for Inventory.

a. The ULA is responsible for purchasing, receiving, storing, and issuing inventory in accordance with this regulation and the CEFMS Inventory Management Users Manual.

b. The ULA may appoint other Accountable Officers when the ULA is not responsible for maintaining specific inventory, such as revetment materials under the control of Operations Division personnel. Accountable Officers shall perform all functions otherwise required of the ULA. The ULA will provide oversight of inventories maintained by non-ULA personnel.

c. The stock control specialist is required to update the CEFMS Inventory Module for all incoming and outgoing inventory items. The stock control specialist shall validate all purchase requests citing inventory resource codes against the stock on-hand before the purchase request is approved.

d. The ULA shall perform a periodic, independent verification of the accounting and accountable property records through physical counts of all inventory items. Inventory items are often stored both inside and outside of a warehouse facility. A physical count of all inventory items is required at least every three years; classified or sensitive items are inventoried at least annually. The periodic verification shall include reconciling the subsidiary property accountability records and/or systems with the physical count. Self-validations do not meet the requirement for independent verification of physical inventory. Responsible employees shall record adjustments in CEFMS for any overages or shortages identified by the physical count. This process ensures that amounts shown in the general ledger and financial statements are correct. Accountable officers shall maintain written documentation supporting the physical count and reconciliation for audit purposes.

e. Although the ULA is the principal proponent for inventory management, managerial accountants will participate in the financial analysis of inventory accounts, establishment of burden rates and cash management. Managerial accounts will monitor account balances and ensure that sales transactions are recorded promptly to reimburse the Revolving Fund. Resource Managers will report any issues of non-compliance with accounting requirements to the local Commander and to the Chief of the ULA.

17-5. Accounting for Inventory and Warehouse Operations. The RF80 account is used to record the costs to operate a warehouse facility and to maintain the cost of the inventory held for sale or consumption. When more than one warehouse is maintained, a separate child work item is required for each warehouse. Within each child work item, costs are categorized to distinguish between warehouse operating costs and the cost of the inventory items. Individuals who enter transactions in CEFMS must ensure that the proper work breakdown structure is used. Purchase requests and transactions must cite the proper cost types, work categories and resource codes. Improper procedures will result in an over-statement of operating costs on ENG 3021, Revolving Fund Results From Operations. Costs are categorized as follows:

a. Warehouse operating costs. Use cost type EXP and CEFMS work category STOCK; various resource codes apply. This category includes all costs incurred for receipt, storage, and issuance of warehouse stock, excluding the stock items.

Operating costs include space costs or rent, utilities, and other costs to house the inventory items. The stock control specialist and assigned staff charge to the operating account work item for labor, travel, and other miscellaneous costs to maintain the inventory using appropriate resource codes. This category also includes expendable tools and equipment, depreciation, insurance, plant increment charges for equipment financed by the Plant Replacement and Improvement Program (PRIP) and plant rental charges. A warehouse burden is established to recoup the operating costs. The burden is applied to every sale of inventory to reimburse the warehouse operating costs.

b. Inventory Items. Use cost type INV, work category STOCK, and inventory resource codes. Revolving Fund inventory is recognized in CEFMS when goods are delivered and a receiving report is entered. Warehouse inventory is generally subdivided as new acquisitions or inventory adjustments (gains and losses). Costs are recorded using the following CEFMS work category elements:

(1) CEFMS Work Category Element NACE - New Acquisitions. This work category element accumulates the cost of stock received by the stock control specialist. Acquisitions include the costs of items purchased, stock acquired by donation, stock transferred from other districts, and stock found on works. Inward freight fees are included as part of the acquisition costs per unit, where feasible. Otherwise, the freight fees are charged to the warehouse operating account. Costs are recorded net of a purchase discount taken. CEFMS uses resource codes (ex: 12GAGEWIRE) and national stock numbers (NSN) to identify the stock items. A perpetual inventory is maintained to allow re-computation of the average unit cost.

(2) CEFMS Work Category Element INVGN and INVLS - Inventory Adjustments for Gains and Losses. These work category elements are used to recognize gains (overages) or losses (shortages) disclosed by physical count, as well as discrepancies between the ULA stock control records and the quantities in CEFMS. DD Form 200, Financial Liability Investigation of Property Loss (FLIPL) is required if the amount of the loss is $100 or more. Transfers between activities with more than one warehouse are also included. Inventory pricing of the stock items is recorded at the current fair market value or the latest acquisition cost.

c. Salvage Operations. Use cost type INV and work category SALVAG; various resource codes apply. This category is used to record the cost of salvage for inventory items identified as surplus, obsolete or non-serviceable. The cost of the items is transferred from cost type INV to cost type SAL. The cost account record created to support the salvage transaction includes work category code 'STOCK', work category element 'VALSM, and cost type 'SAL'. Salvage costs include costs to mobilize and prepare the items for sale, advertising and equipment costs. Labor costs are not charged to salvage account. Receipts from the sale of salvage are also credited to this work category.

d. Cost of Goods Sold (COGS). Income transactions use cost type INV, work category COGS, and a distributable resource code. The COGS work category reflects the net income from sales of stock, including the warehouse burden added to each sale or issuance. The COGS work category is debited with the cost of the stock items at average unit cost in effect at the time of issue and credited with the income from the sale of stock and the applied burden. A distinction is maintained between stock consumed by Revolving Fund activities and stock sold to projects.

17-6. Fabrication of Finished Goods. A separate RF80 child work item is established to record the cost of raw materials used in the manufacture of finished goods, such as revetment mat. When fabrication is completed, the costs recorded as inventory in progress are transferred to finished goods and recorded as inventory available for consumption. Stock is sold from the fabrication work item using the average cost method. Credits reflect the total value of the manufactured items.

17-7. Accounting for Stock Returns. Stock returns are refunded to the customer at book cost. CEFMS work category element ASDIS is used to credit returned items as a reduction to issues. The burden is only refunded when the stock issued was in excess of the amount requisitioned or with unacceptable substitutes.

17-8. Disposal of Inventory.

a. When excess inventory is identified, the stock control specialist shall seek to dispose of or return the stock items to the vendor for a full refund.

b. The Revolving Fund is credited with the proceeds from the sale of Revolving Fund property or inventory. Local activities must ensure that the proceeds from disposal of Revolving Fund property by the General Services Administration (GSA) or the Defense Reutilization and Marketing Office (DRMO) are returned to USACE for credit to the Revolving Fund. Activities may not donate Revolving Fund property to others.

17-9. Management and Analysis of Warehouse Operating Accounts and Burden Rates.

a. Every Revolving Fund warehouse activity must establish a burden rate through the operating budget process. The burden rate must recoup the full cost to operate the warehouse (cost type EXP). The burden is applied at the point of sale or issue of inventory to generate income which offsets the costs to operate the warehouse.

b. Burden rates are constructed to achieve a fiscal year-end balance of zero in the warehouse operating account, but a balance within plus or minus one percent of expenses is considered to be within the nominal balance range and meets the statutory requirement. Quarterly targets are established to facilitate accomplishment of year-end goals.

c. Activities will conduct expense and income reviews no less than quarterly to determine whether budget projections are on track and the existing rate is properly established.

d. CEFMS report ENG 3021, Results From Operations, is used to analyze expenses incurred in operating Revolving Fund warehouses and the associated income from applying the burden rate. This report reflects operating costs and does not include the cost of the inventory items. The warehouse manager must review this report on a monthly basis and ensure that a nominal balance is achieved at the end of every fiscal year.

e. Any balance falling outside the nominal balance range at the end of the fiscal year represents a possible statutory violation and is subject to censure by the Commander. Each region or center shall establish a corrective action plan if the regional balance falls outside the nominal balance range.

17-10. Procedures. Proper accounting procedures for Revolving Fund inventory accounts are available in the CEFMS User Manual and on the CERM-F Share Point website.