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Change 11

CERM-F

Regulation
No. 37-1-30

28 September 2012

Financial Administration
ACCOUNTING AND REPORTING

1. This is Change 11 to ER 37-1-30, 30 September 2002, add the following chapters.

a. Chapter 3, Fund Accounting and Control.

b. Chapter 22, Accounting for Military and Civil Construction Supervision and Administration.

c. Chapter 23, Revolving Fund Reports and Analysis.

2. Substitute the pages as shown below:

Chapter	Remove page(s)	Insert page(s)
3	3-i	3-i
		3-1 to 3-14
		3-A-1 to 3-C-1
22	22-i	22-i
		22-1 to 22-8
		22-A-1 to 22-H-2
23	23-i	23-i
		23-1 to 23-6

FOR THE COMMANDER:

DIONYSIOS ANNINOS
Colonel, Corps of Engineers
Chief of Staff

CHAPTER 3

Fund Accounting and Control

TOPIC	PARA	PAGE
General	3-1	3-1
References	3-2	3-2
Scope	3-3	3-2
Definitions, Terminology and Concepts	3-4	3-2
Fund Control Responsibilities	3-5	3-6
Accounting Support for Fund Control Systems	3-6	3-10
ADA Violations	3-7	3-11
ADA Reporting Procedures	3-8	3-12
Accounting Procedures	3-9	3-14
Appendix A - Military Appropriations and Symbols		3-A-1
Appendix B - Appropriation Life Cycle		3-B-1
Appendix C - Required Format for Flash Report		3-C-1

CHAPTER 3

Fund Accounting And Control

3-1. General. The United States (U.S.) Government requires Federal agencies to establish an effective funds control system to prevent over obligation and to ensure compliance with various laws and regulations that are enacted to control and guide the formulation and implementation of Federal fiscal policy. This chapter contains the administrative control of funds system for the U.S. Army Corps of Engineers (USACE). This structure ensures we follow basic funds control principles and concepts set forth by Congress. It also describes the penalties for violating these policy directives and procedures and the requirements for reporting violations. At a minimum, the following requirements must be met:

a. Funds are used solely for the purposes for which they are appropriated, except as otherwise provided by law.

b. Funds are certified as available and committed before obligation.

c. Obligations or expenditures are not authorized or incurred in excess of available funds or in excess of any legal or administrative limitations.

d. Only valid obligations are recorded in the Corps of Engineers Financial Management System (CEFMS) and all obligations incurred are recorded accurately and timely. Outstanding obligations are validated tri-annually.

e. A system for positive administrative control of funds is established to restrict obligations and expenditures to the amount available in each appropriation or fund account.

f. The system must allow the USACE Commander to identify the persons responsible for any obligation or expenditure exceeding the amount available in the appropriation or fund account.

g. The system must establish procedures for violations of the Anti-Deficiency Act.

3-2. References:

a. Title 31, United States Code (USC), Money and Finance.

b. Office of Management and Budget (OMB) Circular A-11, Part 4, Instructions on Budget Execution.

c. Department of Defense (DoD) Financial Management Regulation (FMR) 7000.14-R, Volume 14, chapter 1, Administrative Control of Funds.

d. Government Accountability Office (GAO) Principles of Federal Appropriations Law (Red Book).

e. Army Anti-Deficiency Act (ADA) Investigation Manual.

f. CEFMS Users Manual.

3-3. Scope. This chapter is applicable to all USACE activities and applies to all appropriated funds, revolving funds, trust funds, and any other funds subject to fiscal limitations.

3-4. Definitions, Terminology and Concepts.

a. Appropriations. Appropriations are acts of Congress, signed into law by the President, that provide budget authority and permit an Agency to incur obligations and to spend public funds. The OMB apportions funds to USACE which makes appropriated funds available for obligation and expenditure. Apportionment restricts, by appropriation, the quarterly amounts available for obligation to ensure an orderly distribution of funds throughout the fiscal year. Included in the apportionment are newly appropriated funds, anticipated reimbursable activity, and unobligated balances carried over from prior year appropriations. OMB may use apportionment to restrict the use of funds when the work intended by Congress is contrary to Administration policy or not legislatively authorized. The Anti-Deficiency Act is violated when obligations at the

appropriation level exceed total obligation authority or available apportionment at the organizational level at which the obligation is incurred, 31 USC 1341 and 1517(a), respectively. It is also violated when the amount specifically earmarked in law for a study or project is exceeded or reduced. Appendix A provides the common military appropriations used in USACE. Common Civil Works appropriations are in Chapter 7 of this regulation. Appendix B is an example of the obligation life of current, expired and cancelled appropriations. The annual Appropriations Acts provide budget authority on the following basis:

(1) Annual Authority. Authority that is available for new obligations for only one specific fiscal year or less.

(2) Multi-Year Authority. Authority that is available for new obligations for two or more fiscal years.

(3) No-Year Authority. Authority that is available for new obligations for an indefinite period of time, usually until the objectives for which the authority was made available are attained.

b. Expired Accounts. Expired accounts are appropriation or fund accounts in which the balances are no longer available for incurring new obligations. In certain circumstances, these accounts are available for recording, adjusting and liquidating obligations. Obligated balances for these expired appropriations are retained by the activity and remain available for an additional five years only for valid upward adjustments; that is, to liquidate obligations properly incurred during the period of obligation availability. At the end of the fifth year, any unobligated budget authority remaining in that year's account reverts to the General Fund in the Treasury.

c. Use of Expired Funds for Real Estate Takings. The Military Construction (MILCON) Appropriation Act, Section 117, requires funds available for a MILCON project to be obligated within five years of their appropriation. The MILCON project is mostly a project for the construction of a facility and the obligation takes the form of a construction contract. For real

estate acquisitions, including easement acquisitions, the obligation action is usually the purchase of real property or the filing of a determination of takings. The filing of a determination of takings and depositing the required funds with the court creates an obligation of the Federal Government such that the government must record an obligation for the taking. Another recurring provision, Section 116, permits the in-house labor to complete a MILCON project to be funded with expired funds that have not been cancelled. The two clauses, Section 116 and Section 117, work together such that DoD has five years from the appropriation for an authorized project to obligate funds for a project (usually by awarding a construction contract or by filing a determination of takings and recording an obligation). Once funds for a MILCON project are obligated, the in-house labor associated with completing that project is funded from currently available appropriations until those funds expire and may be funded from expired funds until those funds are cancelled.

d. Apportionment. Apportionment is a distribution made by the OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, programs, activities, projects, objects, or any combinations of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided into allotments, sub-allotments, and allocations. OMB may use apportionment to restrict the use of funds when the work intended by Congress is contrary to Administration policy or not legislatively authorized. Apportionments are subject to adjustment in the event of substantially increased allotments or major revocations, a Supplemental Appropriations Act, or if appropriations are deferred or rescinded in accordance with the Congressional Budget and Impoundment Control Act of 1974 (PL 93-344).

e. Allotment. Authority delegated by the head of the agency or other authorized employee to incur obligations within the specified amount consistent with the requirements in OMB Circular A-11. The amount allotted by an agency cannot exceed the amount apportioned by OMB.

f. Funding Authorization Documents. HQUSACE allocates budget authority on Funding Authorization Documents (FAD) at the appropriation level to each USACE Command, laboratory, or field operating activity (FOA), based on the work allowances (see below) issued by program managers for individual programs, projects, and activities in that Command, laboratory, or FOA. Historically, the appropriations acts for the eight Civil Works accounts have provided that the budget authority is "to be available until expended." Accordingly, all funds remaining unobligated at the end of one fiscal year have automatically resulted in carryover of budget authority to the next fiscal year without issuance of fund advice.

g. Work Allowances. Work allowances provide instructions for the distribution among programs, projects and activities of the budget authority provided to a USACE activity on a FAD.

h. Commitment. A commitment is an administrative reservation of funds based upon firm procurement requests, orders, directives, and equivalent instruments. Commitments reduce the uncommitted and available balance. A commitment document shall be signed by a person authorized to reserve funds; that is, the official responsible for administrative control of funds for the affected subdivision of the appropriation. This ensures that the subsequent entry of an undelivered order or accrued expenditure will not exceed available funds. The amount of the obligation shall not exceed the amount of the commitment.

i. Undelivered Order. An undelivered order is a contract or order issued for goods and services for which the liability has not yet accrued. The orders may be for any goods or services that are required to meet a bona fide need of the issuing entity.

j. Obligation. Obligations are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or future period.

k. Disbursement. Actual payment by the U.S. Treasury by cash, check, or electronic funds transfer based on certification by a department, agency, or certifying officer.

l. Revolving Fund (RF). The USACE RF is operated entirely within its own resources rather than from annual appropriations, which makes it necessary that prompt reimbursement be obtained from the benefiting appropriations or projects for services rendered in order that sufficient funds are available for continued operation. This self-sustaining nature requires that RF accounts and operations be frequently reviewed to ensure that costs are equitably distributed to customers in the current fiscal year and that a sufficient cash balance is maintained in each USACE command to permit prompt liquidation of obligations as they mature.

3-5. Fund Control Responsibilities.

a. HQUSACE, Resource Management Office. This office is responsible for:

(1) Establishing and maintaining a system of administrative control of funds in accordance with Federal law and OMB guidance.

(2) Developing and prescribing an accounting system that provides prompt and accurate recording in the official accounts of all financial transactions that have an effect on apportionment or other subdivision of funds.

(3) Oversight of investigations and reporting of any alleged statutory and/or administrative control of funds violation. Depending on the results of necessary investigations, the Resource Manager may be required to recommend disciplinary actions against the cited individuals, modify procedures, or take other actions as warranted.

b. HQUSACE, Director of Resource Management. Chief Financial Officer (CFO) for USACE. The CFO is responsible for establishing systems for proper control of funds.

c. HQUSACE Chief, Budget & Programs Division is responsible for:

(1) Establishing USACE budgetary policies and procedures and providing implementing guidance to staff and operating officials.

(2) Consolidating and submitting civil works and military budgets to OMB and HQDA.

(3) Obtaining civil and military funds from OMB/HQDA and issuing funds to Divisions, Districts and separate FOA.

(4) Monitoring proper execution of USACE's budget.

(5) Reporting to OMB on the use of apportionments

d. HQUSACE Chief, Finance and Accounting Policy Division is responsible for:

(1) Establishing USACE finance and accounting policy.

(2) Fiscal law and ADA violation management. The Finance and Accounting Policy Division advises USACE activities on the procedures for reporting potential violations to ASA(FM&C), including the coordination, submission and management of flash, preliminary, and final investigation reports.

(3) Managing and monitoring the USACE Civil Works Revolving Fund (RF).

(4) Implementing CFO Act requirements. The Finance & Accounting Policy Division develops strategies and recommendations to management on the implementation of the CFO Act, preparation of financial statements, and the associated annual financial audits.

e. Disbursing Officer (DO). The USACE Disbursing Officer is located in the USACE Finance Center in Millington, TN. Districts and Division offices do not have the disbursing role. DO responsibilities include:

(1) Ensuring that accounts are in agreement with laws and regulations that govern disbursement of public funds.

(2) Having physical possession or control of the funds. All payments are made centrally by USACE Finance Center located in Millington, TN

f. Division Commanders and District Commanders. Commanders are designated with primary responsibility for the administrative control of funds. Commanders may re-delegate responsibility for execution of funds to Departmental Accountable Official (DAO) and certifying officials through appointment letters.

(1) Departmental Accountable Officials (DAOs) provide information, data, or service to a Certifying Officer or Disbursing Officer to support the payment process. The DAO carries out many approving official roles in CEFMS, such as ensuring that required funds are available before obligating funds and that obligating documents reflect the applicable appropriation account and CEFMS budget fund code. This official has financial liability in the certifying process and works with Government Purchase Cards, Resource Managers (RMs), fund holders, Contracting Officers, Administrative Contracting Officers, Contracting Officer Technical Representatives and others who have distinct roles essential to funds control. These appointments will be signed electronically and maintained in CEFMS in addition to the DD Form 577.

(2) Certifying Officers do not have physical custody of funds but are responsible for the certification of vouchers and documents for payment. Appointments for certifying officials are signed electronically and maintained in CEFMS. All fund certifiers are to be assigned organizationally in Resource Management Office, with exception of travel approvals. Additional responsibilities include:

(a) Certifying that proposed payment is legal regarding purpose, time and amount.

(b) Verifying facts stated in the certificate, voucher or supporting documents.

(c) Correcting illegal, improper, or incorrect payments.

(d) Seeking advice or advance decisions from local RM and legal counsel.

g. Division, District and Center Resource Management.

(1) Resource Management Officers (RMOs) ensure adequate internal controls for funds management. The RMO participates in the quarterly Directorate Management Review (DMR)/Command Management Review (CMR) and conducts the Joint Reconciliation Program (JRP). The Resource Manager is responsible for certifying completion of the tri-annual reviews of commitments and unliquidated obligations and attesting to the accuracy and completeness of the review. The ULOs are monitored closely and RMOs are required to explain the status during quarterly DMR reviews.

(2) The Resource Management Office grants CEFMS roles upon receipt of the standard appointment letters. The local RMO will maintain signed hard copy appointment letters from individuals performing approvals and/or certifications external to CEFMS. An automated appointment letter with electronic signature capability is generated in CEFMS based on the appointment roles granted and maintained electronically. CEFMS will automatically generate a DD Form 577 based on the appointment letter.

h. Finance and Accounting Officers (FAOs). FAOs shall provide fund holders with a listing(s) of unliquidated obligations (ULO), also known as ULO Reports, which identifies outstanding commitments, unliquidated obligations, open accounts payable and open customer orders, recorded for the fund holder. Reviews are conducted a minimum of three times per year in compliance with JRP. Accounting offices will coordinate tri-annual reviews of commitments and obligations to ensure timely compliance with the DoD FMR.

i. Fund Holders (Responsible Employee in CEFMS) are responsible for conducting reviews of items identified on the ULO report to confirm that all open commitments and obligations are valid, accurate and complete. Unliquidated balances that are nominal in amount and dormant are usually a red flag that deobligation action is needed. Special attention is required for items citing expiring funds. It is imperative that funds holders return unused funds to customers as soon as possible for re-use prior to expiration. The return of funds should take place well before 30 September of each fiscal year.

j. Directorate/Office Chiefs ensure that mandatory fiscal law training requirements are fulfilled in accordance with USACE guidance described in appointment letters. The DoD FMR requires refresher fiscal law training every three years. These individuals are also responsible for establishing and maintaining internal controls necessary to meet statutory requirements for time, purpose and amount. The DoD FMR requires refresher fiscal law training every three years.

3-6. Accounting Support for Fund Control Systems. CEFMS is a fully operational, integrated financial management system supporting agency fund control. This field-level financial management tool integrates USACE work management functions with accounting requirements prescribed under U.S. Government Standard General Ledger policies. All transactions which affect dollars (commitments, obligations, expenditures, disbursements) for all USACE missions and programs are entered into CEFMS. CEFMS records all transactions, stores records electronically for easy access and retrieval, and updates United States Standard General Ledgers based on each transaction. CEFMS provides for:

a. Recording all financial transactions affecting apportionments, reapportionments, allotments, agency restrictions, financial plans, program operating plans, obligations and expenditures as well as anticipated, earned, and collected reimbursements.

b. Preparing and reconciling financial reports that display cumulative obligations and the remaining unobligated

balance by appropriation and allotment and cumulative obligations by budget activity and object class.

3-7. ADA Violations. The three ADA statutes most frequently cited are 31 USC Sections 1341, 1342, and 1517. Section 1341 prohibits a federal employee from making or authorizing an expenditure or obligation exceeding an amount available in an appropriation or fund. Section 1342 prohibits a federal employee from accepting voluntary services except for emergencies involving the safety of human life or the protection of property. Similar to section 1341, section 1517 prohibits federal employees from making or authorizing an expenditure or obligation exceeding an apportionment or formal administrative subdivision of funds. Not all alleged violations unfold as actual violations of the ADA statutes; the *alleged* violations however represent trouble areas or pitfalls to be avoided. Any officer or employee of the United States is prohibited from:

a. Making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law;

b. Involving the government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law.

c. Accepting voluntary services for the U.S., or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property.

d. Making obligations or expenditures in excess of an apportionment or reapportionment or in excess of the amount permitted by agency regulations. A violation will also result from the over-expenditure of an appropriation, allotment, or earmark or an obligation in advance of an appropriation.

e. A violation of the Anti-Deficiency Act will occur from any of the actions above. Congress enacted the ADA to prevent the obligation of Government funds that are not available.

3-8. ADA Reporting Procedures. The purpose of a potential ADA violation investigation is to determine if a violation has occurred. An ADA investigation is initiated by the applicable assigned individual or team and must be reported to the Army as required. One of the most important outcomes of an ADA investigation is preparing necessary reports.

a. Initial Discovery (Flash Report). When an alleged ADA violation is discovered, the local Resource Management Office will immediately contact CERM-F. The Resource Management Office will coordinate the issue with the local Office of Counsel and submit a flash report through the chain of command to CERM-F. The Flash Report shall be duly signed by the Commander where the potential violation occurred. Within 10 working days of discovery, CERM-F must provide the flash report to the Assistant Secretary of the Army, Financial Management and Comptroller, ASA(FM&C). The format of the flash report is at Appendix C.

b. Preliminary Review. Army reviews the potential ADA flash report and determines whether a Preliminary Investigation is warranted after coordinating with Army General Counsel. ASA(FM&C) then formally request a Preliminary Investigation when a case number is assigned. The USACE Deputy Commanding General (DCG) will appoint an investigating officer from a USACE Field Operating Activity (FOA) other than the violating FOA to investigate the potential ADA case and report the findings in a preliminary review report within 90 days. The USACE FOA reporting the potential violation is responsible for all costs for the investigating officer. The report must be accompanied by a legal sufficiency statement by the HQUSACE Chief Counsel. The preliminary review must focus on the potential violation not the corrective actions. The preliminary investigator or the review team lead shall be capable of conducting a complete, impartial, and unbiased review.

c. Interpretation and Legal Issues. The existence of a violation may depend on an interpretation of statutory or regulatory constraints imposed on the use of a particular appropriation or account, the proper fiscal year to be charged, or similar issues. HQUSACE Office of Counsel will appoint an attorney to advise the investigating officer.

d. Review Results. The results of the preliminary review shall be documented in a preliminary review report and forwarded to CERM-F for approval and coordination with the HQUSACE Office of Counsel. If the Army determines that there is no ADA violation, then the preliminary report completes the action upon Army's closure of the case.

e. Formal Reviews. If Army determines that there is a need forformal investigation then USACE shall initiate a formal review within two weeks from the notification from Army. Generally, the existence of a potential violation shall be established during the preliminary review and before a formal investigation begins.

f. Research Effort. An investigating officer may be required to perform extensive research. This effort may include researching accounting directives and regulations, directives and regulations related to the functional area involved, legal directives, public law, and legal opinions. An investigating officer will review all specific documentation in the functional area involved that relates to the violation such as purchase requests, contracts, work orders, vouchers, and supporting materials, etc. All appointing officials shall stipulate in the investigating officer appointment memorandum a due date for the ADA Report. Such due date shall conform to the timeframes stipulated in DoD FMR, regardless of the scope of the event or amount of the potential violation.

g. Identifying Circumstances and Responsibility. The investigating officer shall carefully consider the facts and circumstances surrounding the violation before affixing responsibility for the violation. Commanding officers, budget officers, or fiscal officers may be named because of their overall responsibility or position, or because they are designated as the holder of a subdivision of funds, if they failed to properly exercise their responsibilities. The investigating officer shall attempt to discover the specific act or the failure to take action that resulted in the violation and the individual(s) responsible.

h. Administrative Penalties. The law provides that any officer or employee of the United States who violates the prohibitions of 31 U.S.C. 1341(a), 1342, or 1517(a) will be subject to administrative discipline. The DoD FMR contains additional guidance regarding recommended disciplinary actions. Administrative discipline may consist of:

(1) A letter of reprimand or censure for the official personnel record of the officer or employee;

(2) An unsatisfactory performance rating;

(3) Transfer to another position;

(4) Suspension from duty without pay;

(5) Removal from office.

(6) Criminal penalties. If a violation is determined to have been knowingly and willfully committed, there are statutory provisions requiring criminal penalties. An officer or employee found responsible for committing a violation knowingly and willfully may be subject to criminal penalties. The investigating officer should consult with legal counsel to determine if the investigation should be referred to the appropriate criminal investigation organization for action. Criminal penalties may include the following:

(a) An employee who knowingly and willfully violates the statute shall be fined not more than $5,000, imprisoned for not more than 2 years, or both.

(b) Criminal penalties for military personnel may include punishment under Article 15 of the Uniform Code of Military Justice or trial by Court Martial.

3-9. Accounting Procedures. Proper procedures for recording financial transactions and conducting JRP reviews are available on the CERM-F Share Point website and in the CEFMS Users Manuals.

APPENDIX A

Military Appropriations and Symbols

Symbol	Appropriation Title
One Year:	
21-2010	Military Personnel, Army
21-2020	Operation and Maintenance, Army (OMA)
21-2065	Operation and Maintenance, Army National Guard (OMANG)
21-2080	Operation and Maintenance, Army Reserve (OMAR)
57-3400	Operation and Maintenance, Air Force
57-3740	Operation and Maintenance, Air Force Reserve
57-3840	Operation and Maintenance, Air National Guard
57-7045	Operation and Maintenance, Air Force Family Housing
97-0100	Operation and Maintenance, Defense Agencies
Two Year:	
21-2040	Research, Development, Test & Evaluation, Army (RDT&E)
57-3600	Research, Development, Test & Evaluation, Air Force
97-0400	Research, Development, Test & Evaluation, Defense Agencies
97-0839	Quality of Life Enhancements, Defense Agencies
Three Year:	
21-1096	Iraqi Relief and Reconstruction Fund, Army
21-2035	Other Procurement, Army (OPA)
57-3010	Aircraft Procurement, Air Force
57-3020	Missile Procurement, Air Force
57-3080	Other Procurement, Air Force
97-0300	Procurement, Defense Agencies

Symbol	Appropriation Title
Five Year:	
21-2050	Military Construction, Army (MCA)
21-2085	Military Construction, Army National Guard
21-2086	Military Construction, Army Reserve
57-3300	Military Construction, Air Force
57-3730	Military Construction, Air Force Reserve
57-3830	Military Construction, Air National Guard
57-7040	Military Construction, Air Force Family Housing
97-0500	Military Construction, Defense Agencies
No Year:	
97-0390	Chemical Agents and Munitions Destruction, Defense
97-0510	Base Realignment and Closure (BRAC)
97-4930	Defense Business Operations Fund (DBOF)
97-4090	Homeowners Assistance Fund, Defense
97-8242	Foreign Military Sales (FMS)

APPENDIX B

Appropriation Life Cycle

There are three phases associated with the life cycle of an appropriation. Phase one is defined as "current." Phase two is defined as "expired." Phase three is defined as "canceled" or closed. "Current" funds are available for one to five years (unless they are no year funds), depending on appropriation type, for new obligations and payments for services required or rendered. After the last year of an appropriation's life, it transitions into phase two status or the "expired" state. All appropriations remain in the expired state for a period of five years. "Expired" funds are available for in-scope obligation adjustments and for payments on prior obligations only. In the final year of phase two, funds then reach their "cancelled" status and are no longer available for in-scope obligation adjustments or to liquidate previously recorded obligations.

The example below assumes Fiscal Year 2012 is "current year."

Fiscal Year (1 Oct-30 Sept)	Current	Expired	Cancelled
OMA (2020) - 1 year life	FY12	FY13-17	FY18 and beyond
RDT&E (2040) - 2 year life	FY12-13	FY14-18	FY19 and beyond
Procurement (2035) - 3 year life	FY12-14	FY15-19	FY20 and beyond
MILCON (2050) -5 year life	FY12-16	FY17-21	FY22 and beyond

APPENDIX C

Required Format for Flash Report

Office Symbol Date

FOR: HQUSACE, Resource Management Directorate (Attn: CERM-F)

SUBJECT: Alleged Anti-Deficiency Act (ADA) Violation

1. References:

a. 31 U.S.C. 1341.

b. DoD FMR 7000.14-R,, Volume 14, Chapter 3.

c. Other pertinent references for this report.

2. In accordance with reference 1.b., the flash report of an alleged ADA violation follows:

a. Accounting classification of funds:

b. Name and location of the activity where the alleged violation occurred:

c. Name and location of the activity issuing the funds authorization:

d. Amount of fund authorization or limitation that was allegedly exceeded:

e. Amount and nature of the alleged violation:

f. Date the alleged violation occurred:

g. Date discovered:

h. Means of Discovery:

/s/
Commander's Signature

CHAPTER 22

Accounting for Military and Civil Construction Supervision and Administration (S&A)

TOPIC	PARA	PAGE
General	22-1	22-1
Policy for S&A Costs	22-2	22-1
S&A Flat Rate Accounts	22-3	22-3
Accounting for S&A Flat Rate Costs	22-4	22-5
At-Cost S&A	22-5	22-7
Internal Management Control Review Checklist	22-6	22-8
Finance and Accounting Procedures	22-7	22-8
Appendix A - Historical S&A Rates by Type of Appropriation		22-A-1
Appendix B - Post-Award Construction Activities Chargeable To S&A		22-B-1
Appendix C - Consistent Charging Practices for S&A and DDC Costs for D-B Projects Subject to Flat Rate Procedures		22-C-1
Appendix D - Pre-Award Construction Activities		22-D-1
Appendix E - Post-Award Activities Not Chargeable to Flat Rate S&A Accounts		22-E-1
Appendix F - Consolidated Departmental Overhead (CDO) Costs And Activities		22-F-1
Appendix G - Construction Subject to MILCON, O&M and DERP Flat Rates		22-G-1
Appendix H - Work or Appropriations Not Subject To Flat Rate S&A		22-H-1

CHAPTER 22

Accounting For Military and Civil Construction Supervision and Administration (S&A)

22-1. General. This chapter focuses on accounting requirements for S&A activities. ER 415-1-16, Construction Fiscal Management, is the primary guidance on effective management and fiscal stewardship of S&A resources. All projects are executed in accordance with the principles of the Project Management Business Process (PMBP). S&A costs are costs pertinent to construction management, project management during construction, construction contract administration and construction quality assurance (QA). S&A activities apply to both military, civil works (CW, and for Interagency and International Services (IIS) construction projects. Military S&A costs are charged either on a flat rate or actual cost basis. CW and ISS S&A costs are charged on an actual cost basis.

22-2. Policy for S&A Costs.

a. Section 2802 of Title 10, United States Code, the annual Military Construction (MILCON) appropriation acts, and the Department of Defense (DoD) Financial Management Regulation (FMR), DoD Regulation 7000.14-R, Volume 3, paragraph 170203 require the S&A costs for MILCON projects to be funded from applicable military construction appropriations.

b. In accordance with Congressional and DoD direction, the U.S. Army Corps of Engineers (USACE) established a flat rate schedule for charging all customers for major MILCON projects. Separate S&A rates are used for military projects funded by other than MILCON appropriations (e.g. Operations and Maintenance, Army (O&M); Other Procurement, Army (OPA); Research, Development, Test and Evaluation (RDT&E); various appropriations for environmental work, and others). Historical S&A rates are shown in Appendix A.

c. S&A costs, like in-house labor, are funded by appropriations current for obligation, unless one of the following authorities applies:

(1) Public Law 108-287, Section 8070. This authority, described in ER 37-3-22 Financial Administration - Carryover S&A, allows reimbursable O&M funds to be obligated for in-house costs and used to complete projects even after these funds have expired for obligation.

(2) Section 116 is a recurring feature of Military Construction Appropriations Bills and is as follows: "For military construction or family housing projects that are being completed with funds otherwise expired or lapsed for obligation, expired or lapsed funds may be used to pay the cost of associated supervision, inspection, overhead, engineering and design on those projects and on subsequent claims, if any." This allows expired MILCON funds to be used to fund S&A and design during construction (DDC) to complete the project. It applies to normal five-year MILCON funds and the two-year supplemental funds.

d. S&A consists of activities performed and costs incurred during the execution phase of projects for construction. S&A costs include supervision and inspection (S&I) and general and administrative (G&A) overhead. S&A activities include contract administration, inspection and QA activities, contract enforcement, review of required contractor submittals (except for shop drawings considered to be an extension of design), and project and technical management directly related to projects. Allowable charges to the S&A accounts and S&A functions and responsibilities are listed in Appendix B, Post-Award Construction Activities Chargeable to S&A. Appendix C is Consistent Charging Practices for S&A and DDC Costs for Design-Build (D-B) Projects Subject to Flat Rate Procedures. Activities not chargeable to S&A are shown in Appendix D, Pre-Award Construction Activities and Appendix E, Post-Award Activities Not Chargeable to Flat Rate S&A Accounts.

e. The source appropriation(s) that funds a contract determines the S&A rate(s) to be charged. Several different appropriations may be included in a particular contract. Each appropriation is accounted for separately as different S&A rates may apply.

f. G&A costs are defined in Chapter 21 of this regulation and departmental overhead (DOH) costs are defined in Chapter 20. These costs are never charged directly to Planning

and Design (P&D) or S&A funds. Appendix F, Consolidated Departmental Overhead (CDO) Costs and Activities, provides a list of common CDO costs.

22-3. S&A Flat Rate Accounts.

a. S&A flat rate accounts are Revolving Fund (RF) accounts that receive S&A income as a percentage of construction contract expenses (including accrued expenses) or contract "placement." S&A flat rate accounts incur expenses as flat rate S&A costs are recorded. The RF S&A account structure is as follows:

(1) RF6500 - MILCON S&A. This work item is used to record S&A costs of projects funded by the MILCON Appropriations Act.

(2) RF6600 - O&M, Except Defense Environmental Restoration Program (DERP) S&A. This work item is used to record S&A costs of projects funded by Operation & Maintenance, Army, Defense Environmental Restorations Program (see RF6601) and DoD projects funded by the Defense Appropriations Act.

(3) RF6601 - O&M DERP S&A. This is a legacy work item used to record S&A costs of DERP and Base Realignment and Closure (BRAC) environmental projects. Unless there is management value justifying the additional effort for using RF6601, the activity may charge costs to RF6600, as the rates for O&M and DERP are the same.

(4) RF68XX - Special S&A accounts for Overseas Contingency Operations (OCO), formerly known as Global War on Terrorism (GWOT), are used for Transatlantic Division mission operations. Per DoD agreement, work is performed on an at-cost basis but S&A is obligated and earned using the flat rate process. Work is subject to all required procedures for flat rate S&A management and accounting. Rates are analyzed and periodically adjusted, as required, to cover the actual cost of USACE S&A services charged to the related RF68XX accounts and to maintain positive account balances. Security and life support protection are not included in the S&A rate and are provided by Army or the customer.

b. S&A costs are costs incurred by personnel in USACE districts and centers who perform construction phase functions that are properly chargeable to S&A in accordance with Appendix B. S&A costs for hired labor services include labor costed at the effective rate, CDO and G&A Overhead. S&A costs are normally charged to either the flat rate S&A accounts or, if performed on an at-cost basis, directly to the project. Appendix G provides S&A rates by type of appropriation. The S&A flat rates are reviewed periodically by the Director of Resource Management and revised, as needed, according to the status of the overall account(s). Appendix H provides lists of appropriations subject to MILCON, O&M and DERP flat rates. A complete list of S&A rates for each appropriation are maintained in the Corps of Engineers Financial Management System (CEFMS) table 10.96. Contact CERM-F to request updates to the master table.

c. Major Subordinate Commands (MSC) and districts are not authorized to negotiate S&A rates or the at-cost method with customers. HQUSACE will approve all deviations from prescribed rates or at-cost basis. The request must include a full statement of facts. Forward requests for waiver through the MSC to CERM-F for approval. CERM-F will coordinate the request with CEMP to determine the appropriate action.

d. For military construction S&A performed at flat rate, S&A costs are not charged directly to projects, but rather to the applicable work items in the RF65, RF66, or RF68 series. S&A costs are distributed at the current S&A rates and charged to applicable military projects as appropriate. The charge is assessed as a percentage of contract expenditures whenever an expenditure occurs, using the prevailing S&A rate as the percentage value. This process results in what is referred to as "S&A income" to the applicable RF account. The difference between monthly S&A charges and S&A income activity (either a net loss or gain to that account) is transferred monthly to the USACE Finance Center (UFC) for the RF65 and RF66 accounts. The RF68 S&A accounts are managed by Transatlantic Division for use in Contingency Operations and are not transferred to the UFC.

e. The USACE-wide S&A flat rates are charged on all contract costs, including design cost for design-build contracts and the costs of materials and equipment. For items obtained through central procurement and permanently installed by the

construction contractor, the standard S&A flat rate is assessed to the associated net construction contract cost. Furniture and free standing equipment (personal property) that is separately procured (not a part of the construction contract) is normally managed on an at-cost basis.

f. The flat rate S&A account is not intended to cover extraordinary costs for post-award activities. Extraordinary costs are funded by the project/sponsor and include, but are not limited to, life support and force protection outside the contiguous U.S. (OCONUS), normally required by the appropriate Embassy, Safety Office involvement in ordnance and explosive waste (OEW) work, and enhanced commissioning efforts.

22-4. Accounting for S&A Flat Rate Costs.

a. RF6500 (MILCON), RF6600 (O&M and DERP), and RF68XX (Special S&A accounts for OCO) work items are used to capture the actual costs to provide S&A services. See paragraph 22-3.

b. Project-funded work items are established to account for placement (contractor earnings) and the flat rate S&A charge to the construction project.

c. As discussed in 22-3.d. above, income to RF S&A work items is generated by applying the flat rate charge to the direct construction costs as captured by the project-funded work item structure. Income does not post to the RF work item unless there are sufficient funds on the project-funded work item to accept the flat rate S&A charge. All activities must comply with Army and USACE Finance Center end-of-month cutoff dates to ensure the flat rate charge to the project is posted in the same month as the direct construction costs are incurred. Inability or other failure to post the flat rate expense at the time of contract (project) expenditure results in S&A leakage. S&A leakage is defined as the amount of expected income (placement times the current S&A rate) minus the income accumulated in the RF S&A work item. When creating purchase requests subject to flat rate S&A, the activity must ensure that S&A line items are properly linked to contract line items in CEFMS. Refer to the CEFMS Users Manual, S&A for Flat Rate Military Construction for additional information.

d. Liquidated damages are amounts retained in an open accounts payable (with the exception of amounts for Architect Engineer ((A/E)) liability) on the project-funded work item to cover expenses incurred due to delayed contractor performance or, in some instances, contractor default. The following guidance applies to the disposition of liquidated damages on a flat rate contract, including those amounts disbursed from the project-funded work item and collected into the Suspense Account, amounts returned by the contractor, or amounts received from the Department of Justice:

(1) Increased engineering and design costs. Liquidated damages may be used to credit the damaged appropriation(s) that initially funded the increased engineering and design costs up to the total specific amount of financial damage sustained. The resource code DAMASSCONT is used to record the collection of liquidated damages on the project-funded work item.

(2) Increased direct construction costs. Liquidated damages may be used to credit the damaged appropriation(s) that initially funded the increased direct construction costs up to the total specific amount of financial damage sustained. The resource code DAMASSCONT is used to record the collection of liquidated damages on the project-funded work item to prevent distortion of direct construction costs.

(3) Increased S&A costs. Liquidated damages may be used to credit the damaged appropriation (at-cost) or RF account (flat rate) that initially funded the increased S&A cost up to the total amount of financial damage sustained. The increased S&A expenses are credited to the appropriate S&A clearing account maintained by the UFC. Make checks payable to the Finance and Accounting Officer, USACE Finance Center (UFC).

(4) Liquidated damages attributable to other expenses incurred by USACE activities are credited to the appropriation that funded the expenses. Use resource code DAMASSCONT to record the collection against the project-funded work item.

(5) Increased expenses of the customer may also be offset by the liquidated damages. For example, if the customer incurs additional lease expenses due to delay of completion, those expenses can be offset by the liquidated damages. Record the

collection of liquidated damages under the project-funded work item in which contractor earnings were incurred using resource DAMASSCONT.

(6) The balance of liquidated damages in excess of actual increased expenses must be deposited into the General Fund of the U.S. Treasury as Miscellaneous Receipts. Failure to deposit the balance of liquidated damages in excess of actual increased expenses into Miscellaneous Receipts results in multiple statutory violations. Refer to ER-415-1-16 for further guidance.

e. Unfunded costs are effort, materials and supplies used in support of MILCON work that are financed by appropriations other than MILCON and not reimbursed by the other appropriations available for MILCON. However, these costs are capitalized as part of the value of the real property investment. When USACE incurs S&A costs related to unfunded costs, the installation or project customer/sponsor is charged, typically using appropriations such as O&M, RDT&E, military procurement funds or the Defense Business Operations Fund (DBOF). For S&A purposes, unfunded costs are subject to the flat rate if included in the construction contract. When unfunded costs are not a part of the contract, S&A is charged on an at-cost basis (exempt from flat rate) and costs are funded from the same source appropriation used for the unfunded costs.

f. All activities must intensively manage flat rate S&A activities in accordance with guidance and metrics published in the HQUSACE Consolidated Command Guidance (CCG), chapter 2. CCG guidance is posted on the HQUSACE Directorate of Resource Management (CERM) webpage. S&A is managed on a regional basis using the "S&A checkbook" concept which allows the MSC to carry gains and losses forward for future use in leveling the workforce while effectively meeting changing requirements.

22-5. At-Cost S&A.

a. This paragraph provides guidance for the management of S&A costs for those military-funded projects where actual S&A costs are charged using the at-cost method, as well as the management of CW and IIS activities. Additional guidance is found in ER 1140-2-211. Each appropriation has different fiscal constraints (rules) for "time" and "purpose" requirements. For

non-traditional CW appropriations, these rules should be documented in the Project Management Plan (PMP) so the Project Delivery Team (PDT) is aware of these constraints.

b. S&A activities for CW and IIS projects are performed on an actual cost basis (at-cost). Some military work is also performed at-cost. Examples of military work or appropriations for which S&A is charged using the at-cost method are listed in Appendix H. The most common examples of military appropriations not subject to the flat rate S&A are Non-Appropriated Funds and Foreign Military Sales. For military appropriations subject to flat rate S&A, performance of construction using actual cost S&A requires written approval from the Director of Resource Management (HQUSACE/CERM-Z) and/or inclusion in a national Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) coordinated with CERM. Examples are Chemical Demilitarization Facilities, Missile Defense Program, other facilities constructed with innovative technologies, and facilities in locations presenting unusual physical and/or logistical requirements.

c. Management of S&A and construction contract placement for CW projects is a budget based process. It consists of preparing a project specific budget for S&A and construction placement and executing in accordance with that budget. S&A rates are used as guidelines during budget preparation; however, they should not be used to measure performance at the project level. Project level performance is measured by comparing actual costs to budgeted costs. ER 415-2-100 establishes policies and procedures for staffing of CW construction projects.

22-6. Internal Management Control Review Checklist. The checklist for S&A is included in Chapter 2, Appendix 2-B, of this regulation. The checklist is completed by MSCs at the MSC level on even numbered years and by districts at the district level on odd numbered years.

22-7. Finance and Accounting Procedures. Proper accounting procedures for S&A activities are available on the CERM-F Share Point website and in the Corps of Engineers Financial Management System (CEFMS) Users Manual.

APPENDIX A

Historical S&A Rates by Type of Appropriation

MILCON				O&M		
Implemented	CONUS	OCONUS		Implemented	CONUS	OCONUS
1 JAN 63	7.5%	7.5%		1 APR 85	7.5%	7.5%
1 MAR 65	7.0%	7.0%		1 OCT 89	8.0%	8.5%
1 JUL 65	6.7%	6.7%		1 OCT 93	7.5%	8.5%
1 OCT 65	6.5%	6.5%		1 OCT 95	7.0%	8.5%
1 NOV 66	6.0%	6.0%		1 OCT 96	6.5%	8.5%
1 JUL 67	5.8%	5.8%		1 OCT 97	6.5%	8.0%
1 JAN 71	5.6%	5.6%		1 OCT 06	6.5%	7.5%
1 JUL 71	5.4%	5.4%		1 APR 08	5.8%	7.5%
1 JUL 72	5.0%	5.0%		1 FEB 10	5.6%*	7.5%
1 OCT 78	5.2%	5.2%		DERP		
1 OCT 79	5.0%	6.5%		Implemented	CONUS	OCONUS
1 OCT 83	5.5%	5.5%		1 OCT 93	8.0%	8.5%
1 OCT 89	6.0%	6.5%		1 APR 04	7.0%	7.5%
1 OCT 95	5.7%	6.5%		1 OCT 06	6.5%	7.5%
				1 APR 08	5.8%	7.5%
				1 FEB 10	5.6%	7.5%

* American Recovery and Reinvestment Act (ARRA) Facilities Sustainment, Restoration and Modernization (FSRM) is exempt from this rate change. ARRA FSRM projects will continue to be charged at 5.8%, regardless of replacement fund source.

APPENDIX B

Post-Award Construction Activities Chargeable to S&A

B-1. Post-award activities, which are charged to the flat rate S&A account for projects subject to the flat rate procedures or to the benefiting project in the case of at-cost work, consist primarily of project management, construction management, contract administration, and QA activities.

B-2. Post-award activities include project management during construction, construction management, contract administration and QA tasks that occur after award of a construction contract. The project management activities listed below are charged to the flat rate S&A account. Activities of managers in the construction functional element directly attributable to projects are charged to the S&A account. This includes various construction phase activities performed as a member of the project delivery team and directly related to administration and enforcement of construction contracts. These activities occur from award to fiscal close-out of the contract:

a. Reviews of insurance certificates submitted by the prime contractor on behalf of subcontractors.

b. Preparation and execution of QA plans.

c. QA sampling and testing of materials primarily for the purpose of determining effectiveness of the quality control system or compliance with plans and specifications. Sampling and testing performed for the purpose of verifying design assumptions are not charged to the flat rate S&A account.

d. Estimates of materials or work quantities, including any required measurements or calculation.

e. Participation in QA and quality control (QC) coordination meetings.

f. Review of QC three-phase inspections and tracking of deficiencies, quality verification/surveillance of contractor's QC system, review of contractor QC reports, preparation of QA reports, inspections and surveys to ensure that construction is performed in compliance with plans and specifications, including verification of layouts, benchmarks, and similar activities.

g. Participation in project-funded conferences.

h. Review and approval of contractor submitted Division 1 plans and programs, such as QC Plans, safety plans, environmental protection plans, and similar documents.

i. Review and approval of the preliminary, initial project schedule and all periodic schedule updates.

j. Review and monitoring of SF 1413 submissions.

k. Contracting Officer Representative (COR) and Administrative Contracting Officer(ACO) functions associated with the day-to-day interpretation and enforcement of the contract technical provisions and contract clauses.

l. Administrative Contracting Officer (ACO) functions associated with the execution of contract modifications. These functions include issue of requests for proposal (RFPs), Individual Procurement Action Report (DD Form 350), preparation of pre-negotiation objective memoranda (POM), conducting negotiations, preparation of post-negotiation memoranda (PNM), and execution of SF-30. All effort related to preparation and issue of design or customer changes are not chargeable to the S&A flat rate accounts and should be charged to DDC funds.

m. Attempted resolution of potential contract disputes and requests for equitable adjustment. These activities include cost of Government or contract personnel, special consultants, and technical experts within the district or Center of Expertise up to the point in time a written Contracting Officer's (CO) decision is issued pursuant to the Disputes Clause of the contract. After the issuance of a final CO's decision, Office of Counsel is funded by the G&A account to defend against any further appeals. In-house technical labor, other administrative costs, and expert witnesses (when not available within the district or center's organization) are funded by S&A. Supplemental expert witnesses and outside legal services, in addition to or in lieu of available in-house resources, used to enhance credibility and defend against contractor claims, are paid by the customer from appropriate project funds and not charged to the flat rate S&A accounts. Customer approval of these "risk management" costs is required before the government commits funds for this cost.

n. Labor-related items to ensure compliance with the Davis-Bacon Act, conduct labor interviews, reports, and other labor-related activities.

o. Management of contract funds and preparation of funding requests.

p. Review and processing of progress pay estimates, verification of bid item quantities.

q. Processing routine document transmittals.

r. Preparation of construction contractor interim and final performance evaluations; and architect/engineer (A/E) performance evaluation after construction.

s. Management of contracted services such as third-party supervision and QA of construction. This includes health and safety personnel for hazardous toxic radioactive waste (HTRW) projects.

t. Performance of actions related to default or termination of a contract.

u. Supervision and/or QA of systems start-up, primarily for environmental restoration projects. S&A of operations and maintenance (O&M) activities are not normally covered by the S&A flat rate. Actual cost will be charged to the project for these long term non-construction activities that are typically funded with future year O&M funds.

v. Responding to routine requests for information (RFI) and clarification of the plans and specifications requested by contractors. However, RFIs and similar requests by the contractor for clarification of prescriptive contract requirements or performance requirements which are the result of errors and omissions (E&O) in the contract documents are not charged to the flat rate S&A accounts. In the case of in-house designs, the project must fund this effort. In the case of a project designed by A/Es under contract to USACE, the A/E is responsible for responding to RFIs associated with E&O's at no additional cost. The standard of care expected from the contracted A/E does not imply a perfect set of contract documents and, therefore, some judgment is required when directing the A/E to perform corrections to its design at no additional cost.

w. Routine coordination among USACE personnel, project sponsor and user(s). When extraordinary effort is necessary, effort will be charged to other than S&A. Examples of extra-ordinary effort are provided in ER 415-1-16.

x. Preparation and review of the construction daily log, including routine safety inspections and comments.

y. Pre-final and final inspections and transfer of facilities to owner, with proper documentation. Verification of complete correction of final deficiency list (punch list).

z. Review of operations and maintenance manuals.

aa. Photography/videotapes for progress reports.

ab. Review of "as-built" drawings prepared by the construction contractor.

ac. Warranty enforcement, including four and nine-month inspections.

ad. QA of site closure and post-construction maintenance, especially at environmental restoration projects.

ae. HTRW testing and chemical analysis to determine nature and extent of contamination, HTRW construction documentation reports, including chemical and geotechnical data management, well logs and embankment criteria for design purposes are chargeable directly to the project.

af. Financial closeout of contracts.

ag. Review and management of potential A/E responsibility action cases by construction personnel, Contracting Office and PM. Once determined to involve A/E responsibility, the S&A account is no longer charged. Government effort to recover damages is funded from project funds/construction contingencies.

ah. Review of submittals and shop drawings that are NOT extensions of the design.

ai. Post-award partnering activities with construction contractor.

APPENDIX C

Consistent Charging Practices For S&A and DDC Costs For D-B Projects Subject to Flat Rate Procedures

C-1. The contractor is responsible and liable for the integrity of the design. USACE activities must ensure that contractor prepared design documents accurately reflect the solicitation and accepted proposal. USACE must also ensure the completed project meets the proponent's requirements and is consistent with the project authorization.

C-2. After award of a D-B contract, DDC will fund technical reviews of the contractor's design submittals. The reviews ensure general conformity with the design performance criteria and any prescriptive requirements. The reviews are not necessarily comprehensive and, therefore, may not include checking all design calculations. Technical reviews are essentially conducted to ensure code compliance and technical compliance with the solicitation and accepted proposal. Technical reviews of the contractor's designs may include mandatory reviews by Technical Centers of Expertise when required by USACE policy. Responding to contractor RFIs and similar requests relating to the interpretation or clarification of design intent or performance specifications in a solicitation prepared in-house is also funded with DDC. When solicitation documents are prepared by a contracted A/E firm, the cost is the responsibility of the A/E.

C-3. The table below lists typical post-award activities and the required funding source, DDC or S&A.

Activity	DDC	S&A
Post-award conference		X
Preparation of QA plans		X
Partnering conference		X
Train contractor in QCS system		X

Activity	DDC	S&A
Review safety plan		X
Review project schedule		X
Review schedule updates		X
Review construction QC plan		X
Review design QC plan	X	
Review environmental protection plan		X
Initial design conference	X	
Design review conferences	X	(Note 1)
Coordination of design issues among contractor, COR, user, USACE design manager and PM	X	
Designs to correct errors and omissions in RFP criteria prepared in-house (Note 2)	X	
Set-up and manage Dr. Checks design review comments	X	
Design reviews (functional, technical, code compliance) by geographic district, Chief of Staff or the RFP A/E	X	
Pre-construction conference and partnering activities		X
Design-related permit coordination among permitting agency, user, and contractor	X	(Note 3)
Construction-related permit coordination among permitting agency, user and contractor (Note 4)		X
Process progress payments		X
Change management		X
Designs for contract changes	X	
Cost estimates for contract changes	X	
Preparation of RFP, PNM, POM and SF30's for contract modifications		X

Activity	DDC	S&A
Process/manage correspondence (Note 5)		X
Filing, logging, mailing (Note 5)		X
Review/coordinate temporary site layout plans		X
Review/coordinate temporary power plans		X
Weekly coordination meeting (note 6)	X	X
Verify/document design-related LEED strategies	X	
Verify/document construction phase leadership in energy and environmental design (LEED) strategies		X
LEED certification by United States Green Building Council (USGBC)	X	

Notes:

1. Some charging to S&A may be appropriate consistent with the level of effort related to any construction issues addressed during these meetings.

2. Costs for designs to correct errors and omissions in RFP criteria prepared by A/E firms under contract to USACE are the responsibility of the A/E and are not charged to DDC. Each USACE command will follow its written procedures implementing A/E Responsibility Management Program (AERMP), in accordance with Engineer Pamphlet (EP) 715-1-7, to assess A/E liability.

3. The majority of permit activities are S&A funded. There are a few activities, such as the storm water management permit activities required by many states, that are unique to the design (require hydraulic and hydrologic calculations) that are funded with DDC. All admin effort for design-type permits (submission, tracking, coordination) is funded by DDC.

4. Any construction-related permit where USACE provides assistance to the construction contractor solely as a

"permission" to start work is an S&A function. For example, digging permits required by the installation.

5. Some of these costs are more appropriately charged to CDO, depending on degree of direct project application.

6. Charging to DDC and S&A is proportional to the level of effort associated with design issues and construction issues, respectively.

APPENDIX D

Pre-Award Construction Activities

The following pre-award activities are charged to the P&D or E&D funds and are not charged to the flat rate S&A account.

a. Determination of the liquidated damages to be included in the contract.

b. Estimate of contract performance period.

c. Construction personnel input in preparation of the PMP.

d. Reviews and analyses of plans and specifications from the onset of project planning or concept design, to include bid-ability, constructability, operability, and environmental (BCOE) reviews of design documents, BCOE back checks, and certifications.

e. Participation on A/E Pre-Selection Board.

f. Participation in PDT meetings for orientation of designer(s) and conferences of construction staff to establish construction sequence and other activities with design personnel and to become familiar with design requirements.

g. Preparation of acquisition plans, including small business plans.

h. Preparation of contract clauses.

i. Obtaining necessary leases, permits and similar project-related actions before construction contract award.

j. Activities associated with bid openings.

k. Activities associated with price negotiations for award of construction contracts.

l. Developing and processing the RFP, including establishing the selection criteria and participating on source selection committees and boards.

m. Pre-qualification of bidders for construction contracts.

n. Performance of technical portion of pre-award surveys.

o. Development of scopes of work for Indefinite Delivery and Indefinite Quantify (IDIQ) and similar types of contracts.

p. Participation in pre-selection conferences.

q. Participation and issuance of solicitation amendments.

r. Preparation of independent Government estimate.

s. Conducting site visits for bidders.

t. Planning and staffing for individual new projects.

u. Participation on Source Selection Evaluation Boards.

v. Preparation of draft DD Form 1354 Transfer and Acceptance of Military Real Property. The draft Form 1354 is prepared/updated post-award (using contract award value) using P&D funds if obligated as part of the A/E contract.

w. Resolution of agency protests to construction contract awards.

x. Reproduction and provision of final awarded contract documents, including drawings and specifications.

APPENDIX E

Post-Award Activities Not Chargeable to Flat Rate S&A Accounts

E-1. When using the traditional Design-Bid-Build (DBB) delivery method, the activities below are charged to the project and not flat rate S&A accounts. The S&A income earned on the design costs may not be used to supplement these efforts. The level of effort and costs for these efforts must be consistent with the risks involved. The goal is to balance the costs incurred with the risks avoided.

a. Technical reviews of the contractor's design submittals.

b. Code compliance reviews.

c. Reviews to insure compliance with the solicitation and accepted proposal.

E-2. When using the traditional delivery method, shop drawing reviews for Government approval which are extensions of the design are funded by the project and are not charged to flat rate S&A accounts.

E-3. For either delivery method, the following are charged to the project and not flat rate S&A accounts:

a. Preparation of designs to accommodate user requested changes, including user changes to Government furnished property;

b. Preparation of designs and other design activities to overcome unknown site conditions that could not have been discovered under normal and prudent geophysical investigations;

c. Correction of errors and omissions in the contract documents prepared by in-house staff.

d. Responding to RFI's and similar contractor requests for information relating to the interpretation or clarification of prescriptive or performance specifications in a solicitation prepared in-house.

e. Mandatory design reviews by Centers of Expertise.

f. Preparation of Operations and Maintenance Systems Manual by A/Es.

g. Multiple user-requested changes that result in an inordinate amount of effort by USACE to prepare independent government estimates (IGE), PNMs, negotiations, POMs and modification execution, particularly when the aggregate value of the modifications is not significant in relation to the original contract amount.

h. Testing and commissioning efforts by the Government in excess of those specified in the UFGS technical provision.

APPENDIX F

Consolidated Departmental Overhead (CDO) Costs and Activities

F-1. Technical function departmental overhead accounts are consolidated into a single CDO account with the exception of Operations, Emergency Management and Regulatory. The CDO combines the departmental overhead costs of selected technical functions and recovers these costs through one consolidated, regional overhead rate applied to effective labor charged directly to the project. The general rule is that while many of the costs identified herein may be attributable to an individual project, the resources that produce these costs typically are readily and continuously applied against the various projects managed by the district or center and are appropriately charged to overhead. A detailed list of items that must be charged to CDO is contained in chapter 20 of ER 37-1-30. Since charging these costs to an indirect account is mandatory, all employees in consolidated organizations must use a CDO-funded work item for accumulating costs.

F-2. Common costs appropriately charged to CDO include:

a. Labor of any technical employee that is not project specific. Labor is charged to projects or customers in fifteen minute increments, cumulative through the day. When cumulative time is less than fifteen minutes, charge the CDO account. See chapter 6 for direct charging rules;

b. Labor of the technical division's executive or administrative staff that is not project specific;

c. Labor for staff supervision, office administration or general secretarial support activities benefitting multiple projects;

d. Administrative effort for personnel-related actions, such as preparing incentive awards, performance plans, performance objectives, assessments, evaluations, participating on selection panels, counseling employees and similar activities;

e. Labor during training and attendance at professional seminars;

f. Labor for attendance at non-project-specific meetings, conferences, staff visits, and similar meetings;

g. Time spent in the preparation of reports and other construction-related reports and briefings, which include multiple projects or are not project specific; if for a single project then it will be charged to S&A;

h. Time spent preparing management and manpower surveys, preparation of pamphlets, and revision to regulations, policies and standard operating procedures;

i. Labor to respond to congressional inquiries of a general nature. Time spent in responding to Freedom of Information Act (FOIA) requests is charged to overhead unless it relates to a specific project;

j. Time spent by districts or centers in support of higher headquarters' Quality Management Reviews (QMRs), After Action Reviews (AARs), command staff inspections or Design and Construction Evaluations (DCEs). MSCs are not authorized to direct charge to projects or the district/center flat rate S&A accounts or CDO accounts;

k. Incentive awards, bonuses, on-the-spot awards, time-off awards;

l. Payments for Voluntary Separation Incentive Program (VSIP) and Voluntary Early Retirement Authority (VERA);

m. All costs for conferences, training, and professional seminars, including labor, tuition and temporary duty (TDY) costs;

n. Permanent change of station (PCS), including travel and labor;

o. Building maintenance and operations (other than dedicated project/program facilities), including rent and utilities. See ER 415-1-16, chapter 8, for information concerning the rental or acquisition of field offices;

p. Use or lease of vehicles, including GSA vehicles, not related to a single project or customer. Vehicles assigned to and used exclusively for a project are charged to the benefitting project for at-cost work or to the appropriate flat rate account;

q. Office equipment and supplies, including expendable property under $25,000, which supports multiple projects. See Chapter 9 for guidance on assets exceeding the capitalization threshold of $25,000;

r. Non project-specific transportation (freight), printing and reproduction, visual information, equipment maintenance (excluding office equipment), and other contractual services;

s. Software and site licenses for computer software including Resident Management System (RMS);

t. Communications costs; mail costs;

u. Technical publications (i.e., technical manuals, standards, circulars, etc.) that benefit multiple projects or customers.

APPENDIX G

Construction Subject to MILCON, O&M and DERP Flat Rates

G-1. Department of Defense agencies use a wide variety of appropriations when requesting various services from USACE. This Appendix provides common types of work subject to MILCON, O&M, and DERP flat rate S&A. This list is not all inclusive. Contact CERM-F for guidance when performing work not listed below.

G-2. Examples of common MILCON work or appropriations subject to flat rate S&A:

Army Family Housing (Construction)
Army Management Fund
Army National Guard Equipment
Air Force Family Housing (Construction)*
Base Closure Program, Army
Base Closure Program, AF
Base Closure Program, Navy
Base Closure Program, Other
Defense Military Construction
Department of Defense Dependent Schools (DODDS)
MILCON, Army
MILCON, Army National Guard
MILCON, Army Reserve
MILCON, Navy
MILCON, Naval Reserve
MILCON, Air Force
MILCON, Air Force Reserve
MILCON, Air National Guard
MILCON, Reserve Components, General
North Atlantic Treaty Organization Infrastructure and defense military construction Military construction for Defense Agencies to include Communications, Logistics, Mapping, Medical, Nuclear, Dependants Schools (DODDS,), etc.

*MSCs are authorized to approve actual cost method for Air Force Family Housing (New Construction). Forward a copy of the approval to the S&A Account Manager (CERM-F), HQUSACE Regional Integration Team (RIT) and CEMP-IR.

G-3. Certain MILCON-type projects use special authority for Contingency Construction or a temporary program to use Minor Military Construction Authority for construction of child development centers. These MILCON-type projects are normally

funded with O&M funds and are entered in CEFMS with a negotiated O&M rate equal to the MILCON standard rate. Expenses are charged to the O&M account and income is credited to the O&M account.

G-4. Examples of common O&M work or appropriations subject to flat rate S&A:

Air Force Management Fund
Aircraft Procurement, Army*
Defense Business Operations Fund (DBOF)
Family Housing O&M, Army
Family Housing O&M, Air Force
Missile Procurement, Army*
Navy Stock Fund
O&M, Army
O&M, Army Reserve
O&M, Army National Guard
O&M, Air Force
O&M, Air Force Reserve
O&M, Air National Guard
O&M, Defense Agencies and Dependents Schools
O&M, Marine Corps
O&M, Marine Corps Reserve
O&M, Navy (except dredging)
O&M, Navy Reserve
Other Procurement, Army
Other Procurement, Air Force
Other Procurement, Navy
O&M, Troop Support Agency
Procurement, Defense Agencies
Procurement of Ammunition, Army*
Procurement of Equipment & Missiles, Army*
Production Base Support*
Quality of Life Enhancements, Defense*
Real Property Maintenance, Defense (RPMD)
RDT&E, Army
RDT&E, Air Force
RDT&E, Defense Agencies
RDT&E, Navy
Weapons Procurement, Navy

*Effective 1 October 2009, these non-MILCON appropriations were moved to the O&M account to properly align the appropriations with the appropriate S&A account. Projects awarded FY09 and prior continued to use the MILCON rate. To prevent new receiving reports/Form 93 entered after 30 September 2009 from

automatically having the O&M rate applied, MSCs were required to deobligate existing unliquidated contract obligations and reobligate them with a negotiated rate of 5.7% CONUS or 6.5% OCONUS. This was accomplished after the last payment/accrual in FY09 and before the next payment/accrual in FY10.

Note: Job Order Contracting (JOC) and other non-construction activities are charged at actual cost; however, if full construction management/QA is provided, the flat rate may be used.

G-5. Examples of common work or appropriations subject to DERP flat rate S&A:

Base Closure Program, Environmental Projects
DERP, DOD
DERP, Formerly Used Defense Sites
DERP, Army Installation Restoration
DERP, Air Force Installation Restoration

Note: Separate rates for DERP were used between 1 Oct 1993 and 30 Sep 2006. MSCs are no longer required to charge expenses to the DERP account and can use normal O&M account.

APPENDIX H

Work or Appropriations Not Subject to Flat Rate S&A

The following types of work or appropriations are not subject to flat rate S&A. S&A for these activities is charged at cost. Overhead is assessed using the district or regional departmental overhead rate and G&A overhead rates. Districts may not negotiate reduced overhead rates with customers. All requests for reduced rates are submitted to CERM-F.

a. Corps of Engineers Civil Works activities.

b. Reimbursable work for non-DoD Federal Agencies, States, local government, commercial firms and private individuals (Interagency and International Services).

c. Dredging for Navy and other DoD Customers; however, the O&M flat rate may be used by mutual agreement with the customer.

d. Cemetery Expenses, Army (Arlington National Cemetery).

e. Civil defense activities.

f. Disaster recovery operations.

g. Emergency/Wartime Mobilization Exercises.

h. Environmental Protection Agency Projects and Support for Others (except Rapid Response Program).

i. Foreign military sales and assistance programs.

j. Foreign government construction and engineering.

k. Military construction for U.S. Forces OCONUS, when funded by a host nation.

l. Non-Appropriated fund activities.

m. Non-MILCON funds for Chemical Demilitarization Program.

n. Pentagon renovation.

o. U. S. Soldiers' and Airmen Home.

p. JOC, TMC, OMEE, and contracts for operation services and functions.

q. Indian Incentive Rebate Program is not charged S&A even in conjunction with a military appropriation.

CHAPTER 23

Revolving Fund Reports and Analysis

TOPIC	PARA	PAGE
General	23-1	23-1
Policy	23-2	23-1
Responsibilities	23-3	23-2
General Ledger Trial Balance, 66L	23-4	23-3
Statement of Results from Operations, ENG 3021, 66M	23-5	23-3
Revolving Fund Budget Authority	23-6	23-4
Aging of Accounts Receivable, ENG 3046	23-7	23-4
Analysis of Warehouse Stocks, WHSTOCK	23-8	23-4
Schedule of Plant, Properties and Equipment, ENG 3017C	23-9	23-5
Plant Replacement and Improvement Program, ENG 1978A	23-10	23-5
Depreciation and Increment, SDIPR	23-11	23-5
Supervision and Administration (S&A) Report, SARPT	23-12	23-5
Unpaid Leave Liability Report	23-13	23-5
Cash Reconciliation, RFCR	23-14	23-6
Accounting Procedures	23-15	23-6

CHAPTER 23

Revolving Fund Reports and Analysis

23-1. General. Revolving Fund reports are used by the Headquarters, U.S. Army Corps of Engineers (USACE), to analyze the financial health of the Revolving Fund at the corporate level and the operational efficiency of all USACE activities. Revolving Fund reports are also used to prepare consolidated statements for the Office of Management and Budget and the United States Treasury. This chapter describes key Revolving Fund reports and requirements for review and analysis by Finance and Accounting (F&A) personnel in all USACE activities.

23-2. Policy. The Revolving Fund operates entirely within its own resources. All activities must aggressively manage Revolving Fund accounts to ensure that cash is replenished promptly and budget authority is available to meet other Revolving Fund requirements. The basic principles for managing the Revolving Fund are listed below. All activities must:

a. Establish and manage Revolving Fund rates which recoup the full cost to provide Revolving Fund services;

b. Obtain funding from Revolving Fund customers prior to performing services;

c. Ensure that work received on customer orders meets all requirements for financing by the Revolving Fund;

d. Commit or obligate annual severable Revolving Fund requirements on a quarterly basis;

e. Conduct reviews of Revolving Fund commitments, obligations, payables and customer orders in accordance with requirements for the Joint Reconciliation Program;

f. Ensure that orders for goods, services or inventory under specification for a single project or asset cite appropriate project or operating funds;

g. Ensure that all Revolving Fund inventory is common in nature and maintained at the minimum level necessary to meet mission requirements;

h. Enter receiving reports when goods or services are received and accruals when required;

i. Issue billings or process distributions in all accounts on a monthly basis;

j. Aggressively pursue collection of delinquent accounts receivable;

k. Place Revolving Fund assets in service in the month the asset is complete and available for use;

l. Reduce the remaining recovery period (service life) of a Revolving Fund asset or asset component when it is determined that the asset will not remain in service for its established life;

m. Ensure that plant and equipment rates include a provision for anticipated and cyclical maintenance and repairs;

n. Transfer depreciation and plant increment income to HQUSACE prior to the end of every quarter;

o. Credit all proceeds from disposal of Revolving Fund property to the Revolving Fund;

p. Ensure that the accrued leave liability is fully funded.

23-3. Responsibilities.

a. Managerial accountants at each field operating activity (FOA) must review and analyze Revolving Fund reports submitted to HQUSACE on a monthly basis. The reports and focus of each review are identified in this regulation. Accountants analyze these reports to ensure that the Revolving Fund is effectively managed and achieves the objectives described in paragraph 23-2. Accountants will initiate corrective actions for any issues identified in the analysis (abnormal balances, trends of loss or excessive income, or other accounting issues).

b. The F&A Officer at each FOA must ensure that all Revolving Fund accounts are operated in an effective manner and in compliance with ER 37-1-30. The F&A Officer will ensure that costs are promptly distributed to programs, projects and customers in order to replenish Revolving Fund cash for further use.

c. The Resource Manager at each FOA is responsible for notifying the Commander and the regional Resource Manager of significant issues and corrective action plans to address the issues.

d. Regional F&A Officers provide oversight of Revolving Fund activities operated on a district level and also analyze all accounts operated on a regional basis. At a minimum, Regional F&A Officers must review the consolidated Results of Operations report, the Revolving Fund Budget Authority report, and the Accrued Leave Analysis and ensure that timely action is taken to resolve any issues identified in the analysis.

23-4. General Ledger Trial Balance, 66L. This report provides the trial balance of the Revolving Fund based upon information in the general ledger detail table. Accountants must review any abnormal balances to determine if corrective actions are needed.

23-5. Statement of Results from Operations, ENG 3021, 66M. This report displays the operating expenses, revenue and balances of Revolving Fund accounts at the summary level. The 66m_det report provides similar data for individual accounts. Losses are reflected as a minus in the operating balance column. Losses generally indicate that rates are too low or that billings are not processed monthly, as required. In some cases, the work performed is seasonal. For example, assets used primarily for construction may generate income only during the construction season. Guidance for specific accounts is below.

a. Plant Operating Accounts (RF211 - RF213) - The account should reflect a positive balance. Plant operating rates are established to recoup any prior year loss, current year operating expenses and a reserve for anticipated repairs and maintenance. Activities may not operate assets at a repeated loss. Likewise, excessive gains indicate that rates are too high and are not acceptable.

b. Plant Operating Accounts for Vehicles (RF214), Shop and Facility Services Accounts (RF30-RF59) and Inventory Operating Accounts (RF80). Accounts should reflect a nominal balance in accordance with performance metrics established in the Consolidated Command Guidance (CCG). The balance may be positive or negative provided it meets the nominal balance criteria. Each shop and facility account operates on a break-even basis.

c. General and Administrative (G&A) Overhead, Departmental Overhead (RF61), and Area Office Overhead (RF64) Accounts. Each account should reflect a nominal balance in accordance with performance metrics established in the CCG. The balance may be positive or negative provided it meets the nominal balance criteria.

d. Supervision and Administration (S&A) Accounts (RF65 - RF66). The S&A report provides a summary of the expenses and income associated with performing construction activities for military organizations or foreign governments on a flat-rate basis. The goal of the flat rate process is to manage the S&A accounts on a corporate break-even basis. Expenses are deducted from income for the month and the net gain or loss is transferred to the regional S&A check book.

23-6. Revolving Fund Budget Authority. This report provides the balance of available budget authority calculated from the general ledgers. Accountants review the report to determine if sufficient budget authority is available for the purpose of incurring new obligations in the Revolving Fund. Accountants also review the report to determine whether customer work is properly financed by the Revolving Fund and whether obligations and commitments are recorded in quarterly amounts for annual severable requirements.

23-7. Aging of Accounts Receivable, ENG 3046. This report provides the number and amount of Revolving Fund accounts receivable by aging category (under 30 days, 31 to 60 days, 61 to 120 days, 121 to 180 days, 181 days and over). The USACE Finance Center takes follow-up action on all debt of 150 days or less. Accountants at the FOA level review delinquent accounts 151 days and older, take action to effect collection of the receivable and maintain documentation of actions taken. Actions typically include coordinating with the USACE Finance Center to collect employee debt through payroll deduction and following up with other USACE activities or customers to collect delinquent receivables. The F&A Officer must review all debt more than 150 days old.

23-8. Analysis of Warehouse Stocks, WHSTOCK. This report provides a summary of inventory accounts for the district, including acquisitions, sales or consumption, gains and losses. Accountants review the report to ensure that the value of stock is the minimum required to meet the mission, that inventory is promptly sold to customers and the value of the stock is turning over repeatedly. Accountants also ensure that found on works

(FOW) transactions are not used incorrectly, which results in misclassification of stock and operating expenses.

23-9. Schedule of Plant, Properties and Equipment, 3017C. This report provides the original cost, depreciation, acquisition or retirement activity, and remaining book value of Revolving Fund assets. Amounts are displayed by category of plant, such as buildings, floating plant and software. Accountants review the report to ensure that assets are placed in service timely and disposal actions are processed timely. Accountants must research any abnormal balances to determine if corrective action is required.

23-10. Plant Replacement and Improvement Program, ENG 1978A. This report provides the current fiscal year allocation and execution for the Plant Replacement and Improvement Program as well as cumulative amounts for continuing (multi-year) items. Amounts are displayed by category of plant. Accountants monitor the report to ensure that assets are placed in service when complete and available for use, initiating depreciation and plant increment charges (income) for the PRIP.

23-11. Depreciation and Increment, SDIPR. This report provides schedules of depreciation for PRIP and non-PRIP assets and plant increment charges for PRIP assets. Assets are displayed by category of plant. Accountants review the report to ensure that the property category and standard recovery period are correctly assigned for each asset and that plant increment is assessed on PRIP assets.

23-12. Supervision and Administration (S&A) Report, SARPT. This report provides information on Revolving Fund expenses and income recouped using the flat rate process, as well as placement for various construction programs (direct, reimbursable, Base Realignment and Closure, Defense Environmental and Restoration Program). Accountants review this report to ensure that leakage does not occur (income is not lost) due to errors in linking the S&A line item on a purchase request to the contract line item.

23-13. Unpaid Leave Liability Report. This report is used to view the unpaid leave liability as reported by the Defense Finance and Accounting Service. Accountants must ensure that leave funding is sufficient to cover the leave liability at the end of the leave year, as required by law. In order to accomplish this goal, funding targets are established in the Consolidated Command Guidance for each quarter. Accountants compare the total unpaid leave liability on this report to the

sum of RF9310, RF9320, and RF9330 to determine the percent funded. Accountants analyze the funding, liability and cyclical nature of the account and recommend changes to the effective rate, as needed. Accountants provide the quarterly liability and funding amounts to the USACE Finance Center for the quarterly Directorate or Command Management Review. Accountants also prepare explanations for the region or HQUSACE concerning variances from the target and the status of corrective action plans.

23-14. Cash Reconciliation, RFCR. This report provides a reconciliation of Revolving Fund receipts and disbursements, including transactions with others for payroll processing, cross-charge transactions and the PRIP. Accountants use this report to reconcile any differences between the general ledger and the amount reported as Fund Balance with Treasury. Accountants must ensure that cash is sufficient for upcoming requirements, such as accounts payable, PRIP expenditures and other programs which are seasonal in nature.

23-15. Accounting Procedures. Proper accounting procedures for generating and reviewing Revolving Fund reports are available in the CEFMS User Manual and on the CERM-F Share Point website.