

CHAPTER 6

COST ACCOUNTING, FORMS AND GENERAL PROCEDURES

6-1. Cost Accounting is the process of analysis, recording and reporting of costs and expenses incurred for activities and of income derived therefrom.

6-2. Definitions of Cost Accounting terms used in this Manual.

a. Cost is the amount of any expenditure of funds or any distribution or summation thereof, incurred in the performance of the acquisition, construction, maintenance, or operation of property or performance of service. Also included in the definition of "cost" is the appraised value of property or service obtained without charge.

b. Expense is cost incurred in the maintenance or operation of property or the performance of service.

c. Income is earnings accrued from the ownership or operation of property or the performance of service.

d. Work is acquisition, construction, maintenance or operation of property or the performance of service.

e. Work Order is an order for work to be accomplished.

f. Project subaccount is any subdivision of a feature or subfeature not separately identified in a program schedule, but which is maintained for local control purposes. (See paragraph 6-10 as to the use of Work Order, ENG Form 3013, Work Order/Completion Report for authorizing subaccounts.)

g. Job is a general term which may be synonymous with a project feature or subfeature; or it may be any part or combination of them, as in the case of a contract covering part of one, or all of several features or subfeatures. A Job may also be shop activity for a specific purpose, such as creation of maintenance of property or performance of service. A job is usually an activity encompassed by specific work order, discussed in paragraph 6-10, except that a single contract job may cover several work orders, or a part or parts thereof.

h. Elements of Cost. include labor (personal services), materials, supplies, equipment, equipment rental, equipment operation, contractors earnings, travel, transportation, rent., utilities, printing and binding and other non-personal services applied to work.

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6-3. Objective and purposes of cost accounting. Cost accounting is essential to the efficient management of work. Its primary object is to show costs and expenses incurred and income accrued. Its purposes may be described as follows:

a. To furnish the basis for determining whether work is being performed economically.

b. To analyze the costs of the various components of work for comparison with similar data for like work, for determining the efficiency of labor and plant.

c. To facilitate periodic comparison of the various work components and elements of cost of one job with those of other similar jobs, and, in the case of differences, to furnish such data as will enable engineers and work supervisors to discover the cause of such differences.

d. To furnish data as work progresses which will enable engineers and work supervisors to make comparisons with estimated costs and facilitate intelligent forecasts of ultimate costs.

e. To furnish sufficient and reliable data on completed work for use in the preparation of estimates of the cost of similar work.

f. To awaken a spirit of competition between the heads of different working parties engaged in similar work.

6-4. The cost accounting system. A cost accounting system must provide means by which the total costs will be allocated equitably and with a reasonable degree of accuracy to the various work components as work is being performed. Its value depends largely upon the simplicity of methods used in collecting and tabulating the cost data and the promptness with which the cost information obtained can be made available to management. If made complicated to the extent of demanding too great detail or exactitude, the purposes of a cost accounting system will be defeated.

a. This chapter, together with Chapters 7 and 8 describe the civil works cost accounting system used by the Corps of Engineers. It has been developed after much study of conditions peculiar to the Corps and with the view toward simplicity of methods and speed of operation. It can be expanded or contracted to meet the needs of the various districts. For projects requiring special treatment, District Engineers may establish for their own use, additional subfeatures or further breakdowns within the cost account structure prescribed in this manual. Where work conditions exist that appear to require accounting treatment

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not provided in this manual, District Engineers are invited to submit particulars to the Chief of Engineers, with proposed method of accounting, for approval. The proper use of forms facilitates the assembly of costs with relation to measurements of work done. The forms which are prescribed have been prepared with a view to making them adaptable for general use throughout the Corps of Engineers. These forms are stocked in the Office of the Chief of Engineers and all requisitions therefor should be addressed to the Chief of Engineers, Attn:DAEN-ASP-D. The use of forms other than those prescribed is not authorized; however, recommendations for improvements in these forms, or substitutions therefor, are welcomed.

b. Accounts established for activities of the Corps of Engineers provide for the recording and control of assets, liabilities, income, expenses and the proprietary interest of the U. S. Government therein. The system provides for maintenance of the books of account on an accrual basis whereby the receipt of assets and income are recorded concurrently with the actual or constructive receipt thereof, and liabilities and expenses are recorded initially as of the date incurred. Thus, at the end of any accounting period, the status* of the financial affairs of the Corps of Engineers may be accurately determined from the books of account, and statements prepared to reflect the financial condition resulting from operations of the Corps.

c. In cases where costs for specific work are financed by contributed funds, separate cost ledger sheets will be maintained therefor. On the other hand, if funds are contributed for a project as a whole, there will be no separation in the cost accounts; information for expenditures from contributed funds will be available from allotment ledgers.

6-5. Responsibility for cost accounting. All cost accounts (except detailed accounts for work performed in shops and facilities) will be maintained in the district office Cost Accounting Section. The District Engineer is provided a Cost Accounting Section whose functions are to maintain the cost accounts, prepare cost reports, and furnish cost data and analyses to operating people, as needed. Hence, no cost accounts will be maintained by the technical divisions of the district office. The technical divisions have a need for maintaining support data for the preparation of current working estimates, which is an element of basic control. However, data required for this purpose consist principally of known amounts of contracts already let, modifications thereto, overruns and underruns, estimates of engineering and design, supervision, administration and overhead costs and estimates for work in the planning and design phases and not yet placed under contract. Together with the officially maintained accounts these form a basis for effective control through reports showing the relationship of costs and estimates, schedules, etc.

a. The accuracy and value of the results to be obtained through cost accounting are not the exclusive responsibility of any single organization unit. The purpose of cost accounting can be met only as a result of proper

cooperation by the several organization units as a whole which are engaged in the preparation of work schedules and estimates; in the conduct of the work; and in recording initially the basic information with respect to each element of cost to be analyzed and recorded by the cost accounting section.

b. Periodic field inspections will be made by key employees of the cost accounting section, and close contact and understanding maintained between that section and the organization in charge of the work. Such inspections are necessary in order that those employees may familiarize themselves with the actual field work and accordingly be better qualified to detect and correct erroneous charges and to properly analyze costs. Since cost accounting is a very important branch of general accounting and the records compiled in the cost accounting section are primarily for use of the engineer, and work supervisor, the cost accountants necessarily must have a thorough understanding of the principles of general accounting, as well as a general understanding of engineering and construction methods.

* c. All cost transfers should be reviewed by an appropriate supervisory accountant. Cost transfers should be adequately justified and supported by written documentation from appropriate project management level personnel. *

6-6 General Ledger Control.

a. Cost accounts are subsidiary to general ledger control accounts.

b. Expenditures are recorded in budgetary (allotment) accounts which are also subsidiary to general ledger control accounts.

c. Agreement between the general ledger control accounts and the related subsidiary accounts is facilitated by the use of voucher forms which provide for entries to the subsidiary accounts and the related general ledger control accounts for each transaction. The same voucher forms are used for transactions involving expenditures from the Revolving Fund, although no allotment accounting is maintained therefor.

d. The descriptions of the general ledger accounts in Charts B and C in Chapter 2 of this manual indicate the general ledger accounts for which subsidiary accounts are maintained. Detailed cost account definitions and accounting procedures for the Revolving Fund are contained in Chapter 7 and, for project activities, in Chapter 8.

6-7. Contract Work.

a. Elements of Cost. The term "contract work" includes the following types of costs:

(1) Total gross contractor's earnings, for engineering, design, construction and major items of supply, which is the total amount earned as disclosed by monthly or other periodic estimates of work performed. It will include the estimated earnings in excess of a continuing contract monetary limitation for work performed by the

* contractor, including interest thereon as depicted in the following example:

Interest Computation Example on Unfunded Continuing Contract Earnings:

Assume monthly contract payment normally made on the 15th of the month.

Assume exhaustion of funds occurred when making payment on ENG Form 93 for payment due June 1977. Total amount due was \$100,000. The amount funded and paid was \$45,000 and the amount unfunded and unpaid was \$55,000. Additional ENG Forms 93 are submitted in the amount of \$125,000 for additional earnings to be paid in July 1977 in the amount of \$93,000 for additional earnings to be paid in August 1977, and in the amount of \$140,000 for additional earnings to be paid in September 1977.

Assume total payment is made on 10 October 1977.

Given that the U. S. Treasury semi-annual interest rates established for the Renegotiation Board are 7-3/4% for 1 Jan 77 - 30 Jun 77 and 7-7/8% for 1 Jul 77 - 31 Dec 77.

Interest to be costed for the above example would be computed as follows:

Jun 77 -	\$ 55,000 x 15/365 x 7-3/4% =	\$ 175.17
Jul 77 -	\$ 55,000 x 31/365 x 7-3/4% =	362.02
	125,000 x 16/365 x 7-7/8% =	431.51
Aug 77 -	\$ 55,000 x 31/365 x 7-3/4% =	362.02
	125,000 x 31/365 x 7-7/8% =	836.04
	93,000 x 16/365 x 7-7/8% =	321.04
Sep 77 -	\$ 55,000 x 30/365 x 7-3/4% =	350.34
	(125,000 + 93,000) x 30/365 x 7-7/8% =	1,411.03
	140,000 x 15/365 x 7-7/8% =	453.08
Oct 77 - (Payment made on the 10th)	\$ 55,000 x 10/365 x 7-3/4% =	116.78
	(125,000 + 93,000 + 140,000) x 10/365 x 7-7/8% =	772.40

(2) Materials and equipment furnished by the Government for installation or use by contractors, except that certain contracts for materials and equipment are included in (1) above, and value engineering.

(3) Damages (actual or liquidated) assessed contractors for failure to complete the contracted work within the time specified by the contract.

(4) Supervision and administration by government forces applicable to work performed by contractor.

b. Accounting for Contractors* Earnings. The gross contractor*s earnings on each estimate of work performed (payment estimate) will be distributed to the appropriate feature, subfeature, etc., of work. This distribution will be made by engineers familiar with the work at the time the estimate is prepared. The distribution will be reviewed in the cost accounting section, for conformity with prescribed accounting classification, prior to entry in the cost accounts.

c. Accounting for Damages Assessed Contractors. Pending final determination by the contracting officer of amounts of damages (actual or liquidated) assessed contractors for failure to complete the contracted work within the time specified by the contract, damages withheld under terms of the contract should be carried as accounts payable. Upon final determination, accounts payable will be liquidated and damages assessed will be credited to project cost accounts as follows Under General Investigation and General Expenses account structures, the damages will be recorded in a separate column of the feature accounts, as applicable, and will be treated as a reduction in the cost of supervision and administration rather than as a reduction in contractor*s earnings. Separate
* subfeatures are provided under accounts 30, 31, 235, 530, 619, 634, and 635 for such damages applicable to work performed under Construction, General; Flood Control and Coastal Emergencies; and Operations and Maintenance, General appropriations. In the latter instance, such damages will be treated as a reduction in the supervision and administration cost of the applicable project without further identification to other feature accounts.

d. Cost Reimbursable Contracts. This type of contract is used where the property owner performs the work in connection with relocations of facilities, utilities, etc., with the cost being borne by the Government in whole or in part. Funds for this type of work are included in the appropriation Construction, General under "Relocations." The cost incurred by the property owner and reimbursed by the Government will be maintained the same as for construction contracts.

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6-8. Hired Labor Work. The term "hired labor work" includes the cost of work performed by Government forces, such as labor cost, materials and supplies used, value engineering, use of construction facilities by those forces, etc., and supervision and administration applicable thereto.

6-9. Forms used in cost accounting are generally described in the paragraphs describing the accounting and reporting procedures. However, certain forms with their uses, particularly those involved in various procedures, are described below:

* a. ENG Form 2. Summary of Distribution of ... is used to summarize basic data by accounts chargeable to be indicated in blank column headings, the costs of labor, materials and supplies, services of plant, and products and services of various facilities such as shops, laboratories, reproduction plants, etc. ENG Form 2 will be summarized on bureau vouchers or journal entries for posting to accounts.

* b. ENG Form 17A, Cost Sheet-Miscellaneous, is an untitled ledger sheet with 7 detail amount columns and a "total" or "Balance" column. It is used for all cost and income accounts except those for which other special ledger sheets are specified. *

c. ENG Form 3005, Bureau Voucher (Procurements). Instructions covering the preparation, use and distribution of these bureau vouchers are contained in Chapter 3. Those instructions require that a copy of each such voucher be processed by the cost accounting section in order to assure that all costs applicable to accounts for which subsidiary cost ledgers are required in support of general ledger accounts are promptly recorded.

d. ENG Form 3006 (For Cost Transfers). This form is furnished in two numbers, 3006a for billing purposes, and 3006 for accrued expenditure purposes. This form is provided for the purpose of effecting cost transfers between civil projects and/or appropriations within the same district, and which do not require the drawing of checks in settlement thereof. ENG Form 3006a is also provided to furnish information for the preparation of bills against district military appropriations, and bills to other government agencies, private parties, etc. (see Chapter 4 for details concerning preparation, distribution and recording). The forms also serve as a field office bill for services and/or materials and supplies furnished by one field unit to another within the same district. When utilized as a field office bill, the issuing field office will prepare one ENG Form 3006 set and one ENG Form 3006a set in original and three copies, retain a copy of the ENG Form 3006a set only, and forward the originals and remaining copies of each set to the receiving office. The issuing office will show on the ENG Form 3006a the appropriation, project and accounts to be credited and

provide a complete description of the articles or services being billed and otherwise complete the form. The receiving office will show on ENG For. 3006 the appropriation, project and accounts to be debited, and otherwise complete the form, retain one copy of the ENG Form 3006 for its files, and promptly forward the originals and the remaining two copies of each set to the district office cost accounting section which will verify or correct the account classifications and return one copy of ENG Form 3006a to the issuing field office and one copy of ENG Form 3006 to the receiving field office with any adjustments in amounts or accounts being indicated on each. The remaining original and copy of each set will be processed and recorded, as prescribed in Chapter 4 for such forms when prepared in the district office.

e. ENG Form 3007, Journal Entry, is provided for the purpose of making transfer entries between accounts within a single project or within the Revolving Fund. For example, this form is the posting medium summary of Form No. 2 (Costs) to record the issue of articles from warehouse stock to a plant operation account, both accounts being carried under the Revolving Fund. It is also used to effect distributions of project distributive costs to feature, subfeature, and other account.. General Journals, by appropriation, may be maintained for recording ENG Forms 3007 and 3009 (par g below), and monthly posting of summary totals may be made directly therefrom to the general ledger accounts rather than from each such separate form.

f. Continuation Sheet. ENG Form 3008, Continuation Sheet (Bureau Voucher or Journal Entry) is provided for use where needed as a continuation for Bureau Vouchers or Journal Entries.

g. ENG Form 3009. Journal Entry (Depreciation. Insurance and Plant Replacement) is provided to reduce to a minimum the work involved in the preparation of posting media for distribution of depreciation, insurance and plant replacement charges. The method best adapted to the item or plant group will be used. The columns are self-explanatory.

6-10 Work Order Cost Accounting Procedures. a. General. The work order cost accounting system provides a means for authorization to perform specific work in accordance with approved budget programs and to specify the accounts and subaccounts for which costs thereof will be recorded. Work orders are used in connection with construction and rehabilitation activities, emergency activities, operation and maintenance) general investi

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gations, general expense features and subfeatures, and reimbursable work for others. Each work order will be approved by the District Engineer or his designated representative prior to commencement of the work described therein. ENG Form 3013, Work Order/Completion Report, will be used for Revolving Fund activities (acquisitions and retire-meats of non-expendable property, reimbursable work for others) unless 1. the opinion of the District and/or Division Engineer other documents adequately serve the purposes of sound internal control.

b. Forms to be used.

(1) Work order:

- (a) Work Order/Completion Report, ENG Form 3013.
- (b) Detailed Project Schedule (PB2a.), 3W Form 2201a, for construction.
- (c) Detailed Project Schedule (PB4a), ENG Form 2203a, for operation and maintenance.
- (d) Study Program Schedule (PB5a), ENG Form 2205a, for general investigations.
- (e) General Expense Schedule (PB7), ENG Form 2206.
- (f) Planning Schedule (PB2b), ENG Form 2213.

(2) Work order cost account:

- (a) Work Order Cost Account, 3W Form 3012.
- (b) Miscellaneous cost account, Form No. 17A(Costs).

(3) Work order forms for shop work may be designed and reproduced locally. Each such form must include provision for the following:

- (a) Description of the work to be done.
- (b) Account or accounts chargeable.
- (c) Estimated cost.
- (d) Estimated completion date.
- (e) Signature of official authorizing the work to be done.

c. Work order forms - general. (1) Copies of the ENG Forms listed in b(1), above, will be used as work orders for project construction, emergency activities, operation and maintenance general investigation, general expense and planning. They will be used for initial annual authorizations for lbs work and for interim revisions requiring the approval of higher authority. When allotments and apportionments are not received at the beginning of a fiscal year, work initiated in the prior year may be continued in the current fiscal year under the specific authority published at that time; preparation of special ENG Forms 3013 for this purpose is not required.

(2) ENG Form 3013 will be used to supplement or modify an approved annual PB schedule to authorize necessary subaccounts below the level of features and subfeatures identified in the schedules, or to make minor revisions not requiring submissions of revised PB schedules for approval.

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(3) Cross-referencing successive work orders. In order to assure continuity of work order authorizations, each work order revision or supplement of an annual program will be cross-referenced with the annual program or a previous revision or supplement thereto in that fiscal year.

d. Work orders on ENG Form 3013. (1) The work covered by the work order will be within the scope of the approved annual program.

(2) The work order will be submitted by a qualified employee of the technical division in control of the work

(3) The work order will be approved by the District Engineer or his designated representative prior to the date on which actual work is to be started.

(4) A copy of the approved work order will be furnished to the cost accounting section as the basis for the establishment of necessary accounts. If ENG Form 3013 is not utilized for Revolving Fund activities, internal procedures will require prompt notification to the cost accounting section of all authorizations.

(5) Not more than one shop job will be covered by any work order.

(6) Work orders on ENG Form 3013 will be prepared to show separately estimates for hired labor work and for contract work and will be shown in the detail for which actual costs are to be maintained.

(7) For work orders for jobs which extend over more than one fiscal year, the total unit of the work order will be broken down to show the present estimated cost, the cost to the end of the previous fiscal year, the total estimated cost for the current fiscal year, and the estimated balance to complete.

(8) Work Order/Completion Report ENG Form 3013 will be finalized by reporting the actual quantities and cost of physically completed items. In addition to being a reference document for cost and statistical purposes, this report will serve as the supporting document for transferring costs from the "Construction Work in Progress" account to the appropriate "Plant in Service" account. Transfers from "Construction Work, in Progress" account to "Plant in Service" will be effected on the basis of information contained in completion reports and in conformance with the provisions of paragraphs 8-4h and 8-7c. The completed report will also be used as the basis for billing other agencies when a job of reimbursable work is completed. The preparation of this report is the joint responsibility of the engineer in charge of the work, and cost accounting section. The engineer in charge of the work will complete total quantities, sign the statement as to physical completion of the work and forward the form to the Finance and Accounting Branch for completion of actual cost and unit cost data.

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e. Work Order Work Categories, ENG Form 3012. Separate Work Order work categories will be maintained on ENG Form 3012 for each category of construction or rehabilitation work authorized in a work order. Columns are provided on this form for contractors' earnings or hired labor, Government furnished materials, construction facilities and indirect costs. If work within a work category is performed by more than one contractor, ENG Form 3012 may, at the discretion of the District Commander, be supplemented by ledger sheet, Form 17A (Costs) on which the blank columns could be utilized to record the earnings of each contractor. If a contractor performs work, the cost of which is chargeable to more than one work category the contractor's earnings will be allocated directly to the appropriate work category. In the case of work orders covering hired labor work, only one Work Order work category, ENG Form 3012, will be maintained, on which the blank column will be headed "Hired Labor".

f. Miscellaneous Cost Accounts, Form No. 17A (Costs), will be used to record work order costs for which columnar headings on ENG Form 3012 are not suitable, such as for: lands and damages, operation and ordinary maintenance, general investigations, general expense, acquisitions and retirements of nonexpendable Revolving Fund property, reimbursable work, and shop work.

6-11. Labor Cost Accounting Procedures.

a. Time and labor cost reporting.

(1) Forms. Labor includes the cost of all personal services of Government employees utilized for the accomplishment of an item of work. The source of all information regarding labor cost is the authorized daily or biweekly labor cost reports. Daily labor reports will be utilized for activities as the District Commander deems desirable. Employees Daily Labor Report, Form No. 1 (Costs), is for use in machine shops, boat yards, etc. Daily Labor Report No. 1A (Costs) is for use in other activities where a daily labor report is required. When daily labor reports are not required, biweekly time and attendance reports, such as ENG Forms Nos. 1300, 1300a, 1301 and 1301a, or biweekly labor cost report, ENG Form 1301-B, will be used. ENG Forms Nos. 1300 and 1300a are used for groups of employees where the time worked is chargeable to a limited number of generally unvarying cost accounts. ENG Forms Nos. 1301, 1301a, and 1301-B are used where personnel are engaged on numerous jobs during the period. When the prescribed daily or biweekly labor reports are used, it is also necessary to prepare, for payroll purposes, a biweekly time and attendance report covering the payroll period.

(2) Inspection. Where the daily labor report is used, field inspectors or timekeepers will make sufficient visits to the work each day to insure completeness and accuracy of the daily labor reports made out and submitted by foreman and others. For minor projects, frequent inspections of field records will be made by a representative from the district office, preferably a cost accountant. Without this assistance, foremen unacquainted with cost accounting methods may not be able to properly segregate and distribute the time to work performed under their direction and they should be instructed to cooperate to the fullest extent with such representatives in the proper keeping of records and rendition of reports.

(3) Units of time worked - Direct Charging Rule. The CEFMS Timekeeping system permits input of labor hours in 15 minute increments, as required for payroll purposes. Labor hours are costed to work items exactly as computed in the timekeeping system. Hours should be posted at the end of the day with cumulative time spent on each activity calculated as accurately as possible to the nearest 15 minute interval. Increments of time do not have to be consecutive to be charged to a single activity or project.

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

(1) Actual Pay Method. Under this method, the labor cost rates are equivalent to the actual pay rates and the labor costs distributed for each pay period equal the amount of the gross earnings. This method is applicable to the services of (a) employees not entitled to annual or sick leave, (b) other employees entitled to leave with pay but who are transferred to district rolls for pay purposes only, e.g., AFRCE or for temporary purposes such as care and custody of excess military installations pending disposal, and (c) consultants. Government contributions (personnel benefits) for this class of employees will be handled as indicated in paragraph 7-22k(2).

(2) Effective Time Method. Under this method, the labor cost rates for the regular tour of duty consist of actual pay rates increased to include a factor for all leave with pay. Labor costs for night differential, overtime and holiday pay are

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computed at the actual pay rates. Government contributions (personnel benefits) for this class of employees will be handled as indicated in paragraph 7-22k(1). This method is applicable to the services of employees entitled to leave with pay except as provided in subparagraph (1) above. The effective time method provides the means to:

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

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

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

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

c. Procedure for Determining Labor Costs by Effective Time Method.

* (1) In January and June of each year the Missouri River Division (MED) Central Payroll Office will compute the number of effective working days and an effective rate for each FOA. The FOA may modify this rate for known factors such as large over/under distributed balances in the "Accrued Leave" account. The basis for the computation is shown in appendix 6-A-1. A sample of the Central Payroll Office report which will be furnished to each FOA is shown in appendix 6-3-1. Appendix 6-C-1 is COEMIS Software Note Number S-039, which describes how the effective time rate and the Government contribution rate will be included as the effective rate factor in the COEMIS Personnel (PA) Data Base 502 District Record. The cost of overtime, night differential, and holiday time worked will be costed at the actual amount of additional pay earned as converted to a percentage of base pay. *

(2) Care will be exercised to assure that all time worked is properly distributed. When effective time rates are used only noneffective time costs will be absorbed through the "Accrued Leave" account. The actual money value of annual and shore leave accrued but not taken by employees subject to effective time rates is the sum of the products

obtained by multiplying the straight time hourly pay rate for each such employee by the number of annual and shore leave hours accrued to him as shown by the two official leave records. Review of effective time labor rates, to be accomplished in January of each year, as described in (1) above, will include a comparison of actual monetary value of annual and shore leave carried forward to the new leave year with the 31 December balance of general ledger account 345. This comparison usually will require some interpolation of data since the end of the leave year seldom coincides exactly with the end of the calendar year. However, it will not be necessary to actually adjust GL 345 to record the interpolated data. In the event that a variance of over five percent (5%) is revealed (over or under) by comparison, action will be taken to adjust the accrued leave account balance (GL 345) through revision of rates utilized in the current calendar year for effective labor costs. This will be accomplished through adjusting the effective time labor cost rates by dividing the annual salary by a smaller or larger number of days than the average number of effective working days. Actual value of annual and shore leave as of end of last complete pay period ending in June, computed as above, will be compared with balance of account 345 as of 30 June each year. Should this comparison reveal an undesirable trend in the account, rates will be adjusted by a percentage increase or decrease to keep within the 5% tolerance at end of current leave year. The effective labor cost rates will be applied uniformly to all work performed by all employees whose time is charged at effective time rates, whether it be civil work, military work, or work reimbursable from agencies outside the Corps of Engineers.

(3) Transfers of Accrued Leave.

* (a) When an employee is transferred between offices for which accrued leave accounts are maintained under the Revolving Fund, the value of accrued annual and shore leave due the employee will be transferred. The value will be computed by multiplying the hours of annual and shore leave transferred by the hourly payroll earning rate in effect for the employee at the time of transfer out. The Finance and Accounting Officer of the transferor office will obtain notices of such employee transfers from the Civilian Personnel Officer.

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* (b) To insure current recording of like amounts by the offices involved, the transferor office will forward to the transferee office, at time of transfer, a copy of ENG Form 4480 (COEMIS-Accounting Entry/-Reference Document) reflecting the entries for the value of leave transferred out. The transferee office will, in turn, send to the transferor office, as confirmation, a copy of Journal Entry reflecting entries for the value of leave transferred in. In case of disagreement between the two entries or the non-receipt of the confirmation copy within thirty days following the transfer, the transferor office will initiate such action as may be necessary. *

* (4) Transfers of Severance Pay Entitlements. When project work (either Civil or Military funded) is transferred between FOAs which have accrued leave transferred as mentioned in para 6-11c(3)(a), above, severance pay entitlements for employees identified therewith will be transferred to the accrued leave account of the gaining office. Such amounts will be transferred from the losing to the gaining district by use of ENG Form 4480, reflecting a list of personnel and amount of entitlements for each. Procedures for current recording and confirmation of such transfers will be same as provided for accrued leave transfers in para 6-11c(3)(b). Procedures for recording gross entitlements to severance pay are contained in para 4-12. Upon termination of severance payments prior to liquidation of the gross entitlement, losing district will process any necessary adjustment with gaining district through use of ENG 4480. *

d. Payment of payrolls and general disposition of labor costs. Employees will be initially paid from the Revolving Fund. Labor costs will be determined in accordance with subpara b above and will be disposed of as indicated below:

(1) Division Employees. (a) All labor costs will be charged to the appropriate accounts or the division office. When division employees perform services chargeable directly to a project, district, or other agency or appropriation, the reimbursable labor charge for such service will be credited to the division office expense accounts to which the costs of the services were originally charged.

(b) Employees of division laboratories will be paid from the Revolving Fund of the district performing accounting service for the division office. Division laboratories will be operated as Revolving Fund activities, and costs of labor will be determined by the effective time method.

(2) District Employees.

* (a) District employees labor costs should be charged to their organizational activity account to reflect the cost of performing the assigned function of that activity. However, when employees are temporarily working under the supervision of another organization their costs should be charged to the organizational activity account of the activity performing the supervision. Employees temporarily assigned (loaned) between districts or to another agency will be charged to account 459. 97 instead of their normal organizational activity account.

1 District Office. The 460 account Includes labor costs incurred in the performance of the district office function. Costs chargeable to area office, job-site, or specific activities such as, laboratories, garage, shop and yards, etc., will be charged directly to those accounts.

2 Area Office. The 464 account includes labor costs incurred in the performance of the area office(s). Costs directly related to projects under the supervision of the area office are credited to the area office account and charged to appropriate project. S&A (465) account, or other Revolving Fund expense, deferred or asset account.

3 Job-Site. Labor costs of employees assigned to a military or civil project and not under an area office supervision will be charged to the 458 account. Distribution will be credited to this account and charged to appropriate project, S&A (465) account, or other Revolving Fund expense, deferred or asset account.

4 Specific activities (i. e., plant, warehouse, and shop and facility accounts). Labor costs of employees assigned to a specific activity will be charged directly to the specific activity instead of the 458. 460, or 464 account. *

(b) The costs of services of key floating plant employees retained at their floating plant pay rates during plant lay-up periods and assigned temporarily to other than their normal duties will be accounted for as follows: The account representing the temporary assignment will be charged the normal rate of labor cost for that assignment; the actual labor cost in excess thereof will be charged to a deferred account established therefor, and subsequently ap-

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plied to work performed by the plant during the following operating season. Such charge -offs from the deferred account will be entered in the applicable plant operating expense accounts.

(3) Civil Service Retirement (CSR), Social Security Taxes (FICA), Employees Life Insurance (EUF), and Federal Employees Health Benefits (EHBF). See paragraph 6-20 and Chapter 7 for treatment of these Government contributions.

(4) PCS House Hunting Trips. The regular duty time of an employee while on an advance house hunting trip will be reported as duty time to the extent authorized by PCS orders. Since the maximum period which may be authorized for a house hunting trip, including travel time, is six calendar days, charge to duty time will never exceed five days. Regular duty time in excess of that authorized will be charged to annual leave or leave without pay as appropriate.

e. Labor Cost Distribution.

(1) Summarization of Labor Costs. All labor costs initially determined from information on individual time reports will be (and for group time reports, may be) summarized by account numbers chargeable, on Summary of Distribution of Labor Charges, Form No. 2 (Costs), or other suitable form, and posted to applicable accounts not less frequently than monthly.

(2) Vouchering Labor Costs.

(a) In accounting for labor costs, Bureau Voucher ENG Form 3006, and Journal Entry, ENG Form 3007, will be used for posting media as appropriate. ENG Form 3007 will be used to credit "Accrued Leave" (GL 345) and charge Revolving Fund accounts. When billing action can be accomplished immediately, ENG Form 3006a will be used to credit "Sales" (GL 401. -) and charge "Accounts Receivable" (GL 313). ENG Form 3007 will be used when labor costs are to be applied

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to work in progress (GL 317) and against advances (GL 343). Distribution to civil project accounts will be made on ENS Form 3006 or ENG Form 3007, as appropriate.

(b) In cases where there are deductions from employees* pay for such items as subsistence, quarters, utilities furnished or property losses and damages, the debit to "Accrued Leave" and the credit to "Funds with Treasury," or to "Accounts Payable" on ENG Form 3007 prepared in accordance with subparas 4-12b(1) and (2), respectively, will be the amount of the gross earnings less such deductions. In preparing the accounting entries for labor cost distribution on ENG Form 3006, 3006a and 3007, the "Accrued Leave account will be debited with the amounts of these deductions as gross earnings, and the appropriate accounts representing income for the services furnished, and for the property lost or damage sustained, will be credited.

f. Estimated labor costs for incomplete a periods at end of month.

(1) Except where the daily labor report is used as the basis for distributing labor cost, such costs for incomplete pay periods at month end will be estimated, and these estimated costs will be taken into consideration in the following month in recording actual labor costs for the full pay period. Either of the methods described below may be followed in distributing such estimated labor costs:

(a) On the same form used for computing (or summarizing) the actual labor cost distribution for the last full pay period of the month, show also the estimated cost distribution for the partial pay period to the end of the month, and the total of both will be distributed to the accounts. Reverse the estimated cost distribution on the summary form when making the distribution for the following full pay period, and the net difference will be distributed to the accounts.

(b) Separately schedule the estimated cost distribution for the partial pay period to the end of the month and distribute to the accounts. In the following month, either reverse the costs so distributed, or (as in (1) above) deduct the estimates from the distribution for the actual costs for the following full pay period and distribute the net difference to the accounts.

(c) Under any method outlined above, the estimated labor earnings for periods estimated will also be entered in the accounts for the period, and reversed in the accounts for the following period.

(2) Estimated civil job-site labor costs accrued to the end of the month will be charged to the applicable accounts for the work,

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if significant in amount; otherwise such costs will be charged to the "Undistributed Job-Site Labor" account of the applicable project. (See paragraph 6-15h).

g. Shore leave earned. The cost of shore leave earned will be charged to the operation account of the vessel and credited to Accrued Leave account. The cost of shore leave is the product of the number of hours of shore leave earned times the hourly effective time rate. Shore leave earned will be reported not less frequently than monthly to the Finance and Accounting Officer either on the labor cost report or by other convenient means.

6-12. Materials and supplies cost accounting procedures. From the viewpoint of cost accounting, materials are articles which through manufacturing, construction and maintenance processes become integral parts of finished products or structures. Supplies are articles which, when applied to the uses to which adapted are consumed but do not become integral parts of finished products or structures.

a. Sources of cost data for materials and supplies include documents such as the following:

(1) Receiving Report, ENG Form 3051, supporting ENG Form 3005 for articles procured whether for stock or directly chargeable to other accounts.

(2) Requisition on Warehouseman, ENG Form 3059, for articles issued from stock.

(3) Property Disposition Voucher, ENG Form 3061, for articles transferred, sold, lost, etc.

(4) Bureau Voucher, ENG Form 3006, for transfers of articles between projects or between the Revolving Fund and a project.

(5) Journal Entry, ENG Form 3007, for transfers of articles between cost accounts within the accounts of a project, or of the Revolving Fund, i.e., not requiring a payment or transfer of funds.

(6) Form No. 2 (Costs), summary of warehouse operating expense as a portion of the costs of materials and supplies handled by warehouse employees.

b. Warehouse stock records. Only those articles carried as stock and recorded on stock record cards will be covered by a stock account. Articles chargeable directly to other accounts although delivered to the warehouse as a matter of economy will not be covered by a stock account. Warehouse Stock (Inventory) Record Cards, ENG Form 3055, supports cost accounts 480-, 41 and 641. (See ER 735-1-1.)

*

- * c. Inventories of stocks of materials and supplies. Complete provisions for stock inventorying are contained in Chapter 9, and ER 735-1-1. *
- * d. ENG Form 4-R Monthly Report of Receipt and Issue of Materials and Supplies). Use of this form is covered in Chapter 7.
- e. Cost accounting for warehouse operating expenses.

(1) Warehouse operating expenses include all costs involved in the receipt, storage, issue and recording of warehouse stock, including the cost of freight inward on warehouse stock where it is impracticable to include the freight as part of the acquisition cost of the stock. It also includes all warehouse operating costs involved in the handling, etc., of materials and supplies received, inspected and delivered when directly chargeable to other activities than stock accounts. Warehouse operating expense will be distributed to accounts chargeable with issues from stock and with direct procurements as percentages of the cost of stock issued or procurement value of the articles handled. A separate equitable rate of applied warehouse operating expense will be utilized for articles charged directly to activities upon procurement because of the differing amount of total effort expended for such items as compared to stock items.

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(2) Forms No. 2 (Costs) will be used to summarize both the amounts of issues from stock and of direct procurements, and to apply warehouse operating expense as a part of materials and supplies cost.

(a) Issues from stock. Total the amounts listed for each account. Compute and add the percentage for warehouse operating expense. The result is the grand total cost of stock issues to the accounts chargeable therefor, to be distributed by the use of ENG Form 3006 or 3007, as applicable.

(b) Direct procurements. Total the amounts listed for each account chargeable. Compute the percentage for warehouse operating expense. The amounts of these percentages are the additional costs to the accounts chargeable for materials and supplies handled by warehouse personnel, to be distributed by the use of ENG Form 3006 or 3007, as appropriate.

(3) Inspection of materials and supplies. Only the inspection of articles by warehouse employees is chargeable to warehouse operating expense. Costs of inspection of an article received at a warehouse, for stock or otherwise, by other than warehouse employees is chargeable either to the account to which the article is charged, if the cost of the inspection is substantial or significant, or to the expense account to which the inspector's time is usually charged.

(4) Cash discounts, and any minor adjustments on purchases of stock that will not distort the unit cost of stock articles, will be credited or charged to the appropriate warehouse operating expense account.

f. Spare parts procured for items of equipment under the same contracts as or procurement of the equipment, such as gates, turbines and generators, will be charged to the accounts charged with the equipment. The cost of replacement in kind of these capitalized spare parts will be charged to operating accounts when acquired.

6-13. Plant and equipment cost accounting procedures. a. The costs of plant operation cover the costs of the services of plant employed on cost of operating and maintaining plant constitutes an important factor in the determination of the total cost of the specific work on which the plant is employed. The methods of maintaining plant operating expense accounts and applying the expenses to work items are explained in Chapter 7.

b. Small tools and equipment include all miscellaneous tools and equipment chargeable to work, but which do not form a direct and integral part of the unit of work. The accounting treatment for small tools and equipment is explained in Chapter 7. Transfers of tools and equipment between projects or between the Revolving Fund and projects are accounted for at appraised depreciated values.

c. Plant Performance Reports.

(1) The following forms have been designed for use in submitting daily or periodic reports to the cost accounting section relative to the operating performance of plant:

(a) ENG Form 27 (Report of Operations - Hopper Dredges).

(b) ENG Form 3735 (Monthly Report of Operations - Sidecasting Dredge).

(c) ENG Form 4267 (Report of Operations - Pipeline, Dipper or Bucket Dredges).

(d) ENG Form 30 (Report of Subaqueous Drilling Operations) exclusive of small or improvised drill boats used for test borings, etc.

(e) (Rescinded.)

(2) ENG Form 25 (Time Distribution of Plant) filled in to the extent applicable, or other form which will more satisfactorily meet local requirements, will be used in submitting reports to the cost accounting section relative to the operating performance of land plant or group items of floating plant. ENG Form 2 (Summary of Distribution of ...) showing mileage or time in use, as applicable, together with accounts chargeable. should normally meet the requirements of the cost accounting section for cost distribution purposes.

* (3) ENG Form 4566 (General Purpose Standard Rate Input Form) will be used for the standard rate automatic distribution of plant and facility accounts. *

6-14. Real Estate Acquisition Cost Accounting Procedures. To assure consistency of cost reporting and scheduling of real estate acquisitions, pertinent ENG Forms 3005 will be prepared and recorded in the accounts at the time specified below:

a. Acquisition by Direct Purchase (fee, easements and lesser interests). Immediately upon acceptance of the option by the contracting officer, and acceptance of transfer from another Government agency for those transfers requiring reimbursement.

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b. Acquisition by Condemnation - Declaration of Taking (fee, easements and lesser interests) - at the time check is required to be drawn for the Clerk of the U.S. Court.

c. Acquisition by Condemnation - Complaint and Order of Possession without a Declaration of Taking (Fee, easements and lesser interests) - at the time check is required to be drawn for the Clerk of the U.S. District Court for settlement by stipulation or judgment.

d. Deficiency Judgment Payments - at the time the check, in satisfaction of the judgment is required to be drawn for the Clerk of the U. S. Court.

6-15 Accounting for Undistributed Items.

a. General. It is obviously desirable, so far as possible, to make direct charges to the accounts for work components, so as to minimize the accumulation of undistributed items requiring later distribution on some equitable basis. This requires of the project manager a certain amount of discretion, as well as a thorough knowledge of the work in progress. The detail accounting treatments of distributive costs are discussed in Chapters 8, 16, 22, 24, 26, 30 and 31. Some of the items for which separate work items are prescribed are listed and discussed generally below:

- (1) Construction facilities.
- (2) Unapplied payments to contractors.
- (3) Operation and maintenance of construction facilities.
- (4) Operation and maintenance expense during construction.
- (5) Stocks of materials and supplies.
- (6) Unapplied advances for accrued costs.
- (7) Undistributed job-site labor.
- (8) District (general) overhead.
- (9) Area office overhead.
- (10) Project office overhead.

b. Construction facilities include such items as project-owned construction plant, tools and equipment; and project-owned temporary facilities required for construction of the project and normally disposed of following construction, including office buildings, shops, warehouses, storage yards, water works and sewage disposal and communications systems. A work item will be maintained for each item or group of like items of construction facilities, which will reflect the first cost, additions, retirements, accumulated depreciation and

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undepreciated value. A work item will be maintained for recording the costs of mobilization and demobilization of construction of additions, retirements, accumulated depreciation and plant, tools and equipment, the amortization thereof, and the unamortized balance; or a separate subaccount

may be maintained for any item of plant if deemed essential. In order to allocate or distribute the amortization to particular project features or subfeatures. Also, where appropriate, a similar account or accounts will be maintained for recording the costs of transfer of temporary facilities to the project and preparation for removal therefrom. Generally, depreciation of construction plant will be charged monthly, and appreciation of temporary facilities and amortization of costs relating thereto will be charged annually to appropriate accounts for operation and maintenance of construction facilities. Generally, depreciation of tools and equipment, and amortization of the costs of mobilization and demobilization of construction plant, tools and equipment will be allocated or prorated annually to project features or subfeatures.

c. Unapplied payments to contractors includes payments to contractors in advance of the performance of work or service. Examples are payments to a construction contractor as advances for materials delivered to a project, the amounts of such advances to be adjusted as the materials are incorporated in the work; and payments to owners of utility lines constructed to furnish service to projects. In the latter example, the entire payment may be recouped by reductions in bills for utility service, or a portion only may be so recouped. Separate subaccounts will be maintained for each contractor, and, in the case of each utility company, for each method of amortization of the payment. Payment to the utility companies which will not be recouped will be amortized to "Maintenance and Operation - Temporary Construction Facilities" recoupable amounts will be amortized to the accounts chargeable with the utility service.

d. Operation and Maintenance of Construction Facilities Accounts will be maintained for recording the costs of depreciation and all other costs of maintenance and operation of each item or group of like items of project-owned construction plant that are chargeable to specific project features and subfeatures on the basis of units of work performed or days of use. Other accounts will be maintained for recording the costs of depreciation, maintenance, and operation of temporary construction facilities, and, for applicable such facilities, the amortization of costs of transfers to and preparation for removal from the project, and of amortization of the unrecoupable portions of unapplied payments to contractors for construction of utility lines to the project. Corresponding credit accounts will be established as appropriate for recording receipts from sales of services creditable to Miscellaneous Receipts. Also, corresponding credit accounts will be established for recording both sales, the receipts from which are creditable to project funds and distributions of the net costs of operation and maintenance. Distributions of the net cost relating to construction plant will usually be made monthly as direct costs of project features and subfeatures; while the net costs relating to temporary construction facilities will usually be allocated or prorated annually throughout their use to applicable feature, subfeature or other accounts.

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e. Operation and Maintenance of Permanent Project Facilities During Construction. Permanent facilities such as residences, warehouses, utilities, etc., intended for subsequent use in connection with operation and maintenance of the completed project, which are utilized for construction purposes during the construction period are regarded as components of the completed project and not as construction facilities. Accordingly, the only distributive costs in connection therewith during construction are the actual coats of operation and maintenance. Such distributive costs are accounted for as "Operation and Maintenance Expense During Construction," as explained in Chapter 8.

f. Stocks of Materials and Supplies procured with project funds will be accounted for similarly as for those procured with the Revolving Fund.

g. Unapplied Advances for Accrued Costs. In order to meet deadlines established for submission of monthly Report on Status of Appropriations, ENG Form 3011A, it may be necessary in some instances to process billings, determined on an estimated basis, between projects, or from the Revolving Fund to projects, for costs accrued to the end of the month for services rendered or materials and supplies furnished. For this purpose the account "Unapplied Advances for Accrued Costs" is included among the cost accounts. Details of procedure for accounting for these costs are as follows:

(1) Bureau Vouchers, ENG Form 3006, will be prepared for the estimated accrued cost distributions, entered in the appropriate registers and posted to the accounts in the same manner as for other accrued expenditure and accrued income transactions, except that entry is made in "Unapplied Advances for Accrued Coats" accounts instead of directly to cost and income accounts.

(2) Upon the later determination of the accrued costs on **an** actual cost basis, Journal Entry, ENG Form 3007, will be processed to credit income accounts and debit the advance account among the creditor accounts: and another 3MG Form 3007 will be used to debit the individual cost accounts and credit the advance account among the debtor accounts.

* (3) The balances in the advance accounts may be closed out by use of ENG Form 3006 as of the beginning of the following month, or they may remain open and be taken into consideration as adjustments in billing during the month.

h. Undistributed Job-site Labor Costa. For those projects for which it may be considered impracticable to distribute to the feature or other

work items the total estimated job-site labor costs accrued to the end of the month, such undistributed portion will be charged to "Undistributed Job-Site Labor" account. The estimated costs accrued to the end of the month and charged to either individual projects work items or to "Undistributed Job-Site Labor" work items are adjusted or cleared by deducting them from the actual labor costs summarized for the first full pay periods ending in the following month, as explained in paragraph 6-11f.

i. District Overhead Costs. General and Administrative Overhead and Departmental Overhead determined and distributed in accordance with Chapters 22 and 24, will be charged to all projects, including support for others projects (reimbursable work). District overhead billed to civil projects will be charged to the appropriate "Supervision and Administration" cost work category prescribed in Chapter 8.

j. Area/Resident Office Overhead Costs. Area/Resident Office overhead costs include all expenses of operating an area/resident office, which cannot be definitely and accurately allocated to specific items of work. Such costs will be distributed to the work supervised in accordance with the provisions of Chapter 26 and recorded in the appropriate "Supervision and Administration" cost work category as prescribed in Chapter 8.

k. Project Office Cost. Project Office costs are a part of the costs of "Supervision and Administration," and will be recorded in the appropriate "Supervision and Administration" cost work category prescribed in Chapter 8.

l. Insurance. Details concerning the Revolving Fund "Insurance" work item is contained in Chapter 15.

m. RESCINDED.

6-16. Safeguarding, Security Guards and/or Security Surveillance. The cost of safeguarding, security guards and/or security surveillance will be charged to the work item representing the work or real property being safeguarded. If the real property being safeguarded is a Revolving Fund owned shop, warehouse, building or facility, the costs of security guarding will be charged to the related asset operating account.

6-17. Payments to States from Grant Revenues. The portion of revenues derived from grants to be returned to the states will be recorded on an accrual basis as of 30 Sept each Fiscal Year in the prescribed work items for the applicable projects. Adjustment

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of accruals will be made as current fiscal year transactions at the time of receipt of disbursement voucher information furnished by the Chief of Engineers (see paragraph 4-9e of this regulation).

6-18. Accounting for Non-expenditure Transfers to Other Government Agencies. Funds transferred from Civil appropriations to other Government agencies as non-expenditure transfers (SF 1151) for district activities will be accounted for in accordance with para 5-11b.

6.19. Transfer of Projects between districts. The costs of projects or parts of projects transferred between districts must be included in the accounts of the receiving district. Such costs must be in complete agreement with accrued expenditures to date prior to transfer. Copies of the Cost and Progress Summary Report reflecting financial status as of the date of transfer, together with subsidiary cost ledgers for the transferred projects or portions thereof will be transferred to the receiving districts. The transferring district will also furnish to the receiving district copies of Journal Entries ENG Form 3007, prepared to record the transfer, which will be used by the receiving district as the basis for contra entries in its records. Other records and data will also be transferred, to the extent necessary and practicable. considering the conditions involved in individual cases, to enable the receiving district to properly and efficiently continue operations. (See also paragraph 2-10).

6-20. Civil Service Retirement (CSR). Social Security Taxes FICA Life Insurance Contributions (ELIF) and Federal Employees Health Benefits (FHBF). Cost accounting and distribution procedures for Government contributions to the civil Service Retirement Fund, Federal Insurance Contributions Act, Employees Life Insurance Fund and Employees Health Benefits Fund are included in Chapter 7.

6-21. Financial Property Accounting. Accounting for property so as to provide acceptable monetary and item control will be accomplished as follows:

a. Revolving Fund Property. (1) The amounts reflected in all the accounts cited below will represent the values applicable to those assets for all financial statements

(2) An asset cost account will be maintained for each installation (account 470.-), for each structure (account 471.-), and for each item of plant (accounts 472.- thru 475.-). comparisons will be made periodically (at least every three years) between property item records and these accounts to verify that cost accounts are maintained for all such items of property.

(3) Asset cost accounting is also provided for other nonexpendable property assigned to plant (included in accounts 472.- thru 475.-) and facilities (account 476.-), and general use tools, office furniture and equipment (account 477.-). Details for such property are included in records maintained in accordance with ER 735-1-1. Monetary agreement between property records and asset cost account amounts is not required.

* b. Property Documents. (1) Under the provisions of ER 735-1-1, copies of all property vouchers evidencing the movement of property and affecting property record card balances will be furnished the Finance and Accounting Branch for appropriate accounting treatment. (Those not requiring cost entires, such as transfers of property between responsible employees within the same cost account classification, will be annotated as to the intra-account involved and returned to the Property Section for information purposes). The amounts shown on the property vouchers based on the property records will be posted to applicable cost accounts. If validity of the amount or propriety of accounting treatment is doubtful, the document(s) will be verified with Property Section. Individual transactions will be recorded currently; they will not be Ignored or deferred for adjustment action based on annual inventories.

(2) In order to provide effective control over the receipt of property vouchers, a register of property voucher numbers will be maintained in the Cost Accounting Section. It will consist of a list of numbers in sequence which will be checked off as documents are received from the Property Branch. At the end of each month, verification will be made of the last document issued and open numbers in the list will be investigated.

(3) Copies of Revolving Fund work order completion reports, ENG Form 3013, for acquisitions, additions and betterments of fixed land plant (account 476.-) will be furnished the Property Section for use in posting values reflected thereon to property records, as applicable.

6-22. Rounding-off Minor Accounts. a. General. The rounding off of rates and amounts as outlined below will be utilized whenever it is advantageous and equitable to do so.

b. Rates. Effective time labor rates computed in accordance with para 6-11c may be rounded to the nearest tenth of a dollar, e.g., a rate computed at \$2.88 would be rounded to \$2.90. Rates utilized for computing charges for depreciation, overhead, plant rentals, plant operations, facility accounts, etc., may be rounded to the nearest significant equivalent which would not result in Inequity. This could result in the selection of rates rounded to the nearest \$0.001, \$0.01, \$1, \$5, \$10, etc., depending upon the relative effect of the rounding.

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c. Computations and Billings. Amounts computed for use in distribution of labor, overhead, operating accounts, etc., relative to internal installation transactions and billings to Corps of Engineers installations may be rounded to the nearest dollar. For example, assuming an account is chargeable with eight hours of labor @ \$2.80, the computed amount of \$22.40 would be rounded to \$22. Billings to installations other than those of the Corps of Engineers and to private parties should be processed at the computed amount (in the above example \$22.40).

d. Rounding Principle. In rounding rates and amounts to the nearest selected unit, when an amount fails exactly halfway between, it will be rounded to the nearest even figure, e.g., both \$11.50 and \$12.50 will be rounded to \$12; both 75c and 85c will be rounded to 80c.

6-23. Contingent Liability Records.

a. Definition. As defined in the GAO Manual for Guidance of Federal Agencies, a contingent liability is one which is related to a transaction or event which may or may not become an actual liability in consequence of a future event; and further, the uncertainty as to whether there will be a legal liability differentiates a contingent liability from an actual liability.

b. Memorandum Record. A memorandum record of contingent liabilities should be maintained as a part of the cost accounting system. This record should list claims and other contingent liabilities by project, further classified as follows: Contractor Claims under review at District or Division level; Contractor Claims under review at OCE or higher level, such as at US Court of Claims; Tort Actions; and Other (such as statutory claims involving settlements under Indian land claims). As a minimum, each entry to the memorandum record should include the date of the claim or other action, the name of the claimant or payee, a brief description of the nature of the potential liability, the amount demanded by the claimant or other potential creditor, and the date and actual amount of settlement. In addition, the record of contingent liabilities applicable to multiple purpose projects should contain sufficient information as to accounts chargeable to permit assignment to project purposes for reporting purposes.

c. Source of Data. The basic information to be included in the record is contained in the files of the Office of the Chief Counsel and of the Construction/Operations Division; therefore, close liaison and coordination with those units must be maintained by the Finance Accounting Officer in order that the memorandum record may be adequately maintained. With respect to claims submitted to OCE or higher level for review, when such claims are resolved, the District Commander, ATTN: Office of the Chief Counsel, is advised by letter from OCE of the amount and nature of the disposition. Based on such advice, the contingent liability will be deleted from the memorandum record.

d. Financial Reporting. Contingent liabilities will be reported on the Post-closing Trial Balance (Chapter 20). In addition, contingent liabilities applicable to the power purpose for multiple purpose projects with power will be disclosed by footnote on FPC Forms No. 1 (RCS FPC-1002). Footnote disclosure, detailed to show amounts applicable to each project purpose, will also be made on the Supplemental Statement of Assets and Liabilities submitted with FPC Forms No. 1 (ER 37-2-11).

e. Accounting for Claims Settled at HQUSACE/OCE or Higher Level. As stated above, the District Commander is informed by HQUSACE/OCE of disposition of such claims. Any resulting payments from project funds will be accounted for in the same manner as project fund claims settled at District or Division level. However, payments may be made from other than project funds, such as funds available to the Department of Justice or GAO. Such payments will be recorded in applicable project cost work items in accordance with pro forma entry, paragraph 2-22f(25). In some instances Court of Claims judgments may involve collection of monies due the Government under a counterclaim; while such collections are deposited to the US Treasury by Department of Justice, they should be credited to applicable project accounts with contra debit to GL 135.2.

6-24. GSA and Other Space Costs.

a. GSA space costs for each Corps field operating activity will be allocated to civil and military activities on the basis of the relative number of Full-Time Equivalent Work years (FTE) occupying GSA space. This allocation will be based on the number of FTE occupying GSA space at the beginning of each fiscal year.

(1) To calculate the distribution, compute the proportion of civil FTE to total FTE and military FTE to total FTE. Multiply the total rent cost by those proportions and allocate the resulting amounts to civil and military activities.

Example: Total Rent for District X = \$2.5M

Total FTE for District X = 600

Civil FTE	= 420	$420/600 = 70\%$	$\$2.5M \times .70 = \$1.75M$
Military FTE	= 180	$180/600 = 30\%$	$\$2.5M \times .30 = \$.75M$

(2) Personnel occupying space for which payment is not made to GSA (Floating Plant, Resident Office, Project Offices, Area Offices, etc.) will not, under any circumstances be included in the allocation of GSA space costs to civil and military activities. Civil space costs will be subsequently distributed to the organizational elements occupying the space based on the

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square feet occupied for ultimate distribution to Civil Works projects and programs. Distributions will include a proportionate share of common space, i.e. hallways, conference rooms, rest rooms, cafeterias, break areas, health care areas, parking lots, etc.

(3) To calculate the distribution of civil space costs, first determine the total amount of square footage occupied by the organizational elements to whom the cost is to be distributed (Factor A). Divide the total rent cost by the amount of square footage to determine the cost per square foot (Factor B). Determine the actual amount of square footage occupied exclusively by each organizational element for office, storage, conference room space, etc. (Factors C1, C2, C3. . .). All other space is termed "common space". Add Factors C1, C2, C3. . . and subtract the sum from the total amount of square footage (Factor A) to arrive at the square footage of common space (hallways, cafeteria, rest rooms, etc)(Factor D). Next determine the total number of civil FTE (Factor E) and the number of FTE assigned to each organizational element (Factors F1, F2, F3. . .). Calculate the amount of common space to be allocated to each organizational element by computing the proportion of each organizational element's FTE (Factors G1, G2, G3. . .) to the total square footage of common space (Factor D). Multiply the total common space (Factor D) by each proportion (Factors G1, G2, G3. . .) to arrive at each organizational element's share of common space (Factors H1, H2, H3. . .). Add the occupied space for each organization element (e.g., Factor C1) to the allocation of common space for that organizational element (e.g., H1) and multiply the result by the cost per square foot (Factor B). This is the amount to be charged to that organizational element.

Example: Total rent cost allocated to civil activities = \$1.75M

- (A) Total square footage = 75k
- (B) Cost per square foot = \$23.00
- (C1) Engineering occupies 33k square feet
- (C2) Construction occupies 16k square feet
- (C3) IM occupies 5k square feet
- Total occupied space = 54k
- (D) Total common space = 75k - 54k = 21k square feet
- (E) Total civil FTE = 420
- (F1) Engineering has 252 FTE
- (F2) Construction has 126 FTE
- (F3) IM has 42 FTE
- (G1) Proportion of Eng common = 60%
- (G2) Proportion of Const common = 30%
- (G3) Proportion of IM common = 10%
- (H1) Common square footage distributed to Eng = 13k
- (H2) Common square footage distributed to Const = 6k
- (H3) Common square footage distributed to IM = 2k

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Rental Cost distributed to Eng (33k + 13k) X \$23.00 = \$1.06M
Rental Cost distributed to Const (16k + 6k) X \$23.00 = \$.53M
Rental Cost distributed to IM (5k + 2k) X \$23.00 = \$.16M

b. Leased space costs other than GSA leased space costs will be distributed to the organizational elements occupying the space based on the square feet occupied. Distributions will include a proportionate share of common space, i.e., hallways, conference rooms, rest rooms, cafeterias, break areas, health care areas, parking lots, etc. Distributions will be computed in the same manner as civil GSA space costs.

c. Costs for space in revolving fund owned buildings will be distributed to the organizational elements occupying the space based on the square feet occupied. Distributions will include a proportionate share of common space, i.e., hallways, conference rooms, rest rooms, cafeterias, break areas, health care areas, parking lots, etc. Distributions will be computed in the same manner as civil GSA space costs.

6-25. RESCINDED.

6-26. Human Resource (HR) Support Costs (See App. 6-I)

a. Costs incurred for HR support to or by an activity other than an MSC or HQUSACE will be charged to work items RF6005 (ch. 24, p. 24-2e) or RF5503 (ch. 16, p. 16-27z(2)) depending on the type of HR facility providing the services.

(1) Costs incurred by an activity other than an MSC or HQUSACE whose services are provided by an internal HR Office, another USACE command, a Consolidated HR Support Center (CPAC), or a regionalized HR Office (CPOC) (including CPOC bills) should be charged to RF6005.

(2) Costs incurred by a Consolidated HR Office/CPAC which provides HR services to its own command and at least one other command should be charged initially to RF5503 and then distributed to each supported command including its own. Costs distributed to its own command from RF5503 should be recorded in RF6005.

b. Costs at Headquarters or an MSC whose services are provided by an internal HR office, a regionalized HR Office

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(CPOC), another USACE command, or a Consolidated HR Support Center (CPAC) should be charged to the General Expense (GE) account and/or the Operations and Maintenance, Army (OMA) account using the following work categories, as appropriate:

	GE	OMA
MSC	2B200	92B00
HQ	1B300	91E00

6-27. Union Activities. Union activities ultimately benefit local commands as a whole, not only the members of the bargaining unit. Accordingly, the cost of all union activities, including union negotiations, will be recorded in the RF6021 work item and distributed as General and Administrative Overhead (Chapter 24, paragraph 24-2n).

6-28. Marketing/Outreach Programs. Like union negotiations, marketing and/or outreach programs ultimately benefit local command as a whole. Accordingly, all costs associated with these activities will be recorded in the RF6022 work item and distributed as General and Administrative Overhead (Chapter 24, paragraph 24-2o).

6-29. Pre-Placed Contracts. To be added.

6-30. Request/Approval for Cost Transfers (excluding labor and S&A). This section addresses cost transfers for areas other than labor and military supervision and administration. Procedures for labor cost transfers are described in para 7-5c, while military S&A cost transfers procedures are delineated in para 27-4f).

a. Cost transfers or corrections are not necessarily indicative of financial mismanagement. Honest mistakes and/or human errors in costing do occur even though extreme care is exercised when creating documents or recording costs. Use of cost transfers to correct these types of errors is both appropriate and warranted. Conversely, use of cost transfers to move costs between projects and/or Revolving Fund work items to mask funding shortfalls or to meet nominal balance requirements and/or to transfer legitimate General and Administrative Overhead costs to Departmental Overhead work items because the failure of a technical organization to meet direct labor projections created a deficit in the G&A work item is not only inappropriate but also violates multiple fiscal statutes and could ultimately result in an anti-deficiency act violation. Therefore, cost transfer must

not be used for these purposes and/or must not be tolerated or condoned at any level of command.

b. An example of an honest mistake and/or human error which should be corrected by cost transfer would be an employee selecting a wrong ordering or funded work item when creating a Purchase Request and commitment (PR&C). Another example would be selection of an incorrect work category code, resource code, or organization code when preparing the PR&C.

c. The responsibility for initiating a request for a non-labor cost transfer depends on the source of the error. For clerical errors involving such items as organization, work category or resource codes, the responsible employee would generally be the initiator of the PR&C. Transfers of costs from an incorrect work item to the correct work item should be initiated by the fund manager or analyst. The fund manager and analyst will work together to research the problem and determine the correct solution. This action must be completed promptly, within ten workdays from the date the error was first discovered or the end of the month, whichever occurs first.

d. The initiator of the cost transfer must have cost transfer authority designated on the Access Control Screen (10.1) in CEFMS. This designated individual will query the account information to be "transferred from" on CEFMS screen 7.4.6 (Cost Transfer within FOA) and identify the amount to be transferred. The account information to be "transferred to" will be identified on CEFMS screen 7.4.6A with appropriate justification entered for the transfer.

e. The basic requirements outlined above may be expanded as deemed necessary to strengthen local internal controls and/or avoid possible statutory violations. In all cases, the district Resource Management Officer as well as the responsible division and office chiefs will monitor the transfer practices to uncover repetitive problems and/or trends, and take corrective action as appropriate.