

## CHAPTER 13

### ACCOUNTING FOR WAREHOUSES AND/OR REPAIR SHOP ACTIVITIES

13-1. Purpose. This chapter prescribes the accounting policy and procedures for the operation of warehouses and/or repair shops financed by the revolving fund or civil works projects. This chapter does not apply to multiple-purpose projects, which are handled under chapter 31 of this regulation.

13-2. Definition of Warehouse Inventory. Inventories (including operating materials and supplies) are tangible personal property held for sale or will be consumed or issued in the production of civil works activities. Typically, project inventory items are categorized as goods held in reserve for a single project such as stockpile materials, spare parts, and small tools/equipment. Revolving funds will control all multiple-use inventory items to support more than one civil works project and the administration of all Corps offices. Inventory items will be recognized in the Corps of Engineers Financial Management System (CEFMS) by the stock control specialist when the goods are delivered, recorded, and the report is received. The CEFMS Inventory Management Module contains separate accounting for warehousing civil and revolving fund stock. The warehouses are called: Civil Project Inventory and Revolving Fund Inventory.

13-3. Responsibilities for Warehouse Inventory. The Chief of the Logistics Management Office (LMO) or the Accountable Officer is responsible for retaining the receipt, storing, and issuing of Corps owned inventory items. Although LMO is the principal proponent for warehousing, managerial accountants are encouraged to participate actively in the area. Upon requisition, requested inventory items are sold to activity customers or to a remote project site. The stock control specialist will update CEFMS' Inventory Module for all incoming and outgoing inventory items per the latest acquisition costs. In addition, all purchase requests citing inventory resource codes processed in CEFMS must be validated against the stock on-hand before final approval is granted. A physical inventory will be conducted of all items stored inside or outside of the warehouses and at project sites. An adjustment must be recorded for overages and shortages and written documentation will be kept on file for auditing purposes.

13-4. Revolving Fund Warehouse Activities. A warehouse activity

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is established to maintain common inventory items required for multiple civil works projects and activities of the revolving fund. The operation of a warehouse utilizes CEFMS standard General Ledger 1520.00 (summary level for 96X4902 revolving fund appropriation) to record the purchase of inventory and net income from the stock account. CEFMS inventory breakdown structure for the revolving fund is listed below.

a. CEFMS Inventory Work Item - Warehouse Stock (RF8000). Captures the cost of materials and supplies held by the revolving fund in the warehouses for sale to civil works projects or other revolving fund activities. This work item records and maintains the value of inventory on-hand until consumed or issued. Debits include stock acquisitions and gains disclosed by physical inventories. Credits include stock issues, losses disclosed by physical inventories, and unacceptable materials returned to the vendor. The following work categories are linked to this work item.

(1) CEFMS Inventory Work Category "STOCK" - Warehouse Operation. Includes the cost of operating the warehouse for handling the receipt, storage, and issuance of warehouse stock as well as other operating costs such as space, utilities, etc., necessary to operate the facility. The stock control specialist and assigned staff will charge directly for labor, training, travel, and other miscellaneous costs under separate resource codes. Likewise, any freight fees as part of the acquisition cost of the stock, such as depreciation, insurance, equipment usage, repairs and maintenance of the warehouse and acquisition of expendable tools will be posted. Cash discounts and inventories adjustments (gains and losses) will also be applied to this work category. At the end of the fiscal year, the balance in this work category will be closed out to the current year Results from Operations.

(2) CEFMS Inventory Work Category "COGS" - Cost of Goods Sold. Reflects the value for "Net Income from Stock Sold" to include the surcharge added to each sale or issuance in order to recoup the operating expenses of the warehouse operation work category. Basically, a COGS work category will be debited with the COGS for the stock items. The credits for the sale or issuance of goods sold and the applicable burden rate applied are recorded in CEFMS as Revenues Earned. The surcharge or "applied warehouse burden" rate should be sufficient to recoup the cost of

operating the warehouse. Distinction will be maintained between stock consumed by the revolving fund activities and stock sold to multiple project sites. Unused stock returned to the warehouse will be recorded as a reversal of the original entry and value.

(3) CEFMS Inventory Work Category "SALVAG" - Salvage Operation. Represents the cost of salvage operations, including the estimated net salvage value of materials, mobilization and preparation for sale, advertising, and etc. The estimated net salvage value is credited to the appropriate repairs and replacement, conversion, or to accounts which generate the salvage. Estimated net salvage value is the estimated sale price less the estimated cost of the sale. Receipts from the sale of salvage, and transfers (at appraised value) of salvage materials for further use are credited to this work category.

b. CEFMS Inventory Work Item - Fabrication/Refurbishment. Comprises raw manufactured materials and supplies held by the revolving fund in the warehouses for project use. This work item will maintain the value of the manufacture costs and inventory. When the fabrication/refurbishment work is completed, the costs recorded as inventory in progress will be transferred to finished goods and recorded in the inventory available for consumption. Stock sold from this work item will be by the average cost method. Credits reflect the total value of the manufactured items.

13-5. Civil Works Project Activities. The establishment of a single project warehouse will consist of tangible personal property to be consumed in a normal operation of that project. The operation of a project warehouse updates CEFMS standard General Ledger 1520.00 (summary level for all other Civil Works Appropriations) to record the purchase of inventory, net income from the stock account, and the cost of operating the warehouse. CEFMS project inventory breakdown structure uses the same functionality as the revolving fund, except for the treatment of issuance. Project funds will be expended upon the purchase of inventory items without applying a burden rate. For usable operating materials/supplies acquired during construction and capitalized under "Plant-In-Service" must be transferred into the CEFMS inventory module with/without reimbursement and reducing the project PIS general ledgers. Likewise, for useable inventory items that were previously expensed must be adjusted using a cost transfer into the CEFMS inventory module. Also, the warehouse operating costs will be direct funded by the project.

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13-6. Accounting for Inventory Management. Warehouse inventory stocks within the Corps are usually subdivided as either new acquisitions, inventory adjustments (gains and losses) or repair stocks. Where more than one warehouse is maintained, a separate CEFMS work item will be required for each warehouse. Cost transfer will be made for stock exchanged between civil works project warehouses. The cost associated with each work item will be reconciled monthly with the CEFMS "WIRTRNRG" (Transaction Register) and the "WIRIR" (Inventory Receipt Register) reports. Also, there is an online report screen, (Inventory Financial Summary View-3.44) that provides summary level data related to inventory operation. Stock will be recorded within the following CEFMS work category elements.

a. CEFMS Work Category Element "NACE" - New Acquisitions. Accumulates the cost of stock acquisitions received by the stock control specialist. Acquisitions include the costs of items purchased for common stock, freight fees inward (if practicable), stock acquired by donations, stock transferred from other districts, and stock found on works. Inventory pricing and pricing of the stock issues will be based exclusively on the latest acquisition cost per each unit. Inward freight fees must be included as part of the acquisition costs per unit for pricing, where feasible. Otherwise, the freight fees will be charged to the warehouse operating work category. Costs are to be recorded net of a purchase discount taken. Lost discounts and interest/late payment penalties should be included in the unit costs but will be charged to the warehouse operating work category.

b. CEFMS Work Category Element "INVGN and INVLS" - Inventory Adjustments for Gains and Losses. Inventory gains (overages and losses (shortages) disclosed by physical inventory procedures and discrepancies identified (less than \$100 per item) between the Logistics stock control records and the stock value in CEFMS, items are added or subtracted on this work category element. Material discrepancies warrant a "Report of Survey" investigation to determine the cause. Also, included are transfers between activities with more than one warehouse on a site. Inventory pricing of these stock items are recorded at the current fair market value or the latest acquisition price. Data relating to inventory adjustments (gains/losses) are maintained in the "WIR\_ADJUSTMENT" table in CEFMS.

c. CEFMS Work Category Element "REPMI" - Repair Stock. Includes unique spare parts, small tools and equipments. Repair stocks are critical items held in reserve to support and maintain the civil work's construction project assets. These items are not held with the intent of being sold or a burden rate applied upon consumption. Repair stock will be valued net of expected repair costs. Repair cost will include the purchase price, freight fees and production costs necessary to bring the stock items to a reusable condition. A repair allowance account (GL 1529.30) should be recorded containing estimated cost to repair inventory items needing repair. An expense should be recognized equal to the amount to bring the repair allowance account to the estimated cost of repairs. As expenses are incurred for repairs, the allowance account should be reduced. Any abnormal operating costs, such as excessive handling or rework costs, should be charged to the project account.

13-7. Accounting for Income and Revenue Earned from Stock Sold.

Income is earned from the sale of stock (book costs) to other revolving fund activities, civil works and military projects. The applied burden to the sale or issuance of stock also generates income to offset the warehouse operating costs. In theory, the book cost of all stock items withdrawn from the warehouse inventory will be charged out as "Cost of Materials Consumed and Sold." Subsequently, all stocks upon issuance are sold from the COGS work category to the applicable revolving fund, civil works, or military account to exchange funds. A burden rate is applied at the point of sale. This practice does not apply to Civil Works project warehouses.

13-8. Accounting for Stock Returns and Disposal of Excess.

Stock returns will be refunded to the requester at the stock book costs. The applied burden will not be credited. The applicable burden will only be refunded in cases where issues are in excess of the amounts requisitioned or with unacceptable substitutes. If excess inventory stock is sold at a discount, the loss will be absorbed as part of Results From Operation at the year-end. When excess inventory is determined, the stock control specialist should seek to dispose of or return, if possible, the stock items to the vendor for a full refund in accordance with ER 700-1-1, USACE Supply Policies and Procedures, and DOD 4160.21-M, Defense Utilization and Disposal Manual and Federal Property Management Regulation, Title 41, Chapter 101, for property disposal. CEFMS

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work category element "ASDIS" is used to credit the warehouse operation (inventory) as a reduction to issues.

13-9. Revolving Fund Pro-Forma Entries for Warehouse Activities.

a. Warehouse Stock Acquisitions (Accounts Payable Direct, Contract - Outside of the Government)

DR: 1521.30 Inventory Held for Sale - On Hand  
3100.00 Appropriated Capital  
4811.10 Undelivered Orders - Without Advance-Direct-Basic

CR: 2113.00 Accounts Payable-Public-Current  
3210.10 Capital Investments  
4910.10 Accrued Expenditures-Unpaid-Direct-Basic

b. Warehouse Stock Transfer In (Fixed Asset Transfer In the Corps, Other Government Agencies or the Public Without Being Reimbursed)

DR: 1521.30 Inventory Held for Sale - On Hand

CR: 3220.10 Transfer-In From Other Corps Without Being Reimbursed or

3220.20 Transfer-In From Other Government Agencies Without Being Reimbursed or

3220.30 Transfer-In From All Others Without Being Reimbursed

c. Warehouse Stock Transfer Out (Fixed Asset Transfer Out the Corps, Other Government Agencies or the Public Without Being Reimbursed)

DR: 3231.20 Transfer-Out To Other Corps Without Being Reimbursed or

3231.10 Transfer-Out To Other Government Agencies Without Being Reimbursed or

3232.00 Transfer-Out To All Others Without Being Reimbursed

CR: 1521.30 Inventory Held for Sale - On Hand

d. Warehouse Stock Issued/Consumed (RF Activities)

DR: 3100.00 Appropriated Capital  
4710.10 Commitments Outstanding-Direct-Basic  
4811.10 Undelivered Orders-Without Advance  
6121.00 Supplies and Materials  
6500.21 Cost of Goods Sold-Army-Warehouse

CR: 1521.30 Inventory Held for Sale - On Hand  
4811.10 Undelivered Orders-Without Advance  
4931.10 Accrued Expenditures-Paid-Direct  
5700.20 Appropriated Capital Used-Expense  
6500.2A Intra Fund Sales - Cost of Goods

e. Warehouse Stock Issued/Consumed (Issued to a Civil Project)

DR: 1011.00 Funds Collected  
3100.00 Appropriated Capital  
4710.10 Commitments Outstanding-Direct-Basic  
4811.10 Undelivered Orders-Without Advance  
6500.21 Cost of Goods Sold-Army-Warehouse

CR: 1521.30 Inventory Held for Sale - On Hand  
4811.10 Undelivered Orders-Without Advance  
4931.10 Accrued Expenditures-Paid-Direct  
5100.22 Revenue From Goods Sold-Civil-Warehouse  
5700.20 Appropriated Capital Used-Expense

f. Warehouse Stock Burden Applied

DR: 1011.00 Funds Collected

CR: 5200.22 Revenue From Services Provided

g. Warehouse Stock Donated (Fixed Asset Donated)

DR: 1521.30 Inventory Held for Sale - On Hand  
CR: 5600.00 Donated Revenue

h. Warehouse Stock Found on Work (Stock Found on Works)

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DR: 1521.30 Inventory Held for Sale - On Hand

CR: 1529.1P Other-Gain

i. Warehouse Stock Returned

DR: 1521.30 Inventory Held for Sale - On Hand

CR: 1529.1E Materials Returns-Credit Given

j. Warehouse Stock for Excess Issues and Salvage Operation

DR: 1524.00 Inventory-Excess, Obsolete and Beyond Repair

CR: 1521.30 Inventory Held for Sale - On Hand

13-10. Civil Works Project Pro-Forma Entries for Warehouse Activities. Note: Entries are similar as for Revolving Fund warehouses, except for stock issue and cost transfer shown below.

a. Warehouse Stock Issued/Consumed

DR: 6121.00 Supplies and Materials

CR: 1521.30 Inventory Held for Sale - On Hand

b. Cost Transfer for Inventory Items Previously Expensed

DR: 3100.00 Appropriated Capital

4081.00 Program Available

4611.00 Uncommitted/Unobligated

1521.30 Inventory Held for Sale - On Hand

CR: 1012.00 Funds Disbursed

4082.00 Program Applied

4931.10 Accrued Expenditures - Paid Direct

3210.10 Capital Investment