

APPENDIX A

REVOLVING FUND
INTERNAL MANAGEMENT CONTROL REVIEW CHECKLIST

FUNCTION. The function covered by this checklist (at each U.S. Army Corps of Engineers* command where Revolving Fund, 96X4902, accounting functions are performed) will be designated by the cognizant headquarters* staff functional principal. The responsible principal and mandatory schedule for using the checklist will be shown in the annually updated Management Control Plan. The following designed responsible principals are assigned:

A. ORGANIZATION NAME:

B. ACTION OFFICER:

C. REVIEW OFFICER:

D. DATE COMPLETED:

PURPOSE. The purpose of this checklist is to assist operating accountants in evaluating the key Revolving Fund internal management controls including cash management requirements.

INSTRUCTIONS. One must answer each test question 'YES, NO, OR NA,* and provide supporting documentation when prescribed controls are found deficient. For these conditions (that is, necessary management controls are not in place or not operative) the checklist 'Remarks*' block must refer to documents defining the problem together with details on corrective actions taken and planned. This checklist must be used within 120 days of initial publication and every two years thereafter.

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EVENT CYCLE 1: Funds Control and Cash Management

Step 1: Maintain an adequate administrative control of funds system.

Risk: Inappropriate use of Revolving Fund cash and/or facilities. Inappropriate use of Revolving Fund cost accounts. The USACE Revolving Fund (96X4902) has been exempted from apportionment control. Therefore, commitment and obligation actions are not formally recorded (entered) in the accounting system except for PRIP obligations which will be entered. However, Revolving Fund obligations are legally binding instruments which the Government must honor upon satisfactory completion.

Control Objective: Ensure that all accounting documents citing the Revolving Fund are properly accounted for and costs are distributed promptly and equitably to benefiting activities. Even though fund certification in the Revolving Fund is not based on specific funds available, it is necessary to confirm that the account cited is proper for the type of expense contemplated and is within the current operating budget authority. Limitations on Revolving Fund cash and Plant Replacement and Improvement Program authority also apply.

Control Technique: Require that all Revolving Fund distributions, limitations, withdrawals, and citations on fiscal documents be made in writing by persons with authorizations to do so. Require that written policies and procedures be instituted to govern all accounting and reporting functions.

Test Question:

1. Is there a current, clear, and unbroken chain of written delegation of authority to certify funds?

Response: YES ____ NO ____ NA ____

Remarks:

2. Is the responsibility for administrative control of funds delegated to the Resource Management Officer with authority to redelegate to office chiefs who program and/or execute authorized projects or a portion of the local operating budget?

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Response: YES ____ NO ____ NA ____

Remarks:

3. Are documents submitted for certification of funds certified individually (signature and date)? If not, has the F&A Officer issued an annual letter of certification which covers all documents citing the Revolving Fund?

Response: YES ____ NO ____ NA ____

Remarks:

4. When an annual certification is used, are procedures for processing individual documents adequate to assure that previous Comptroller General (CG) decisions regarding propriety of funds are considered?

Response: YES ____ NO ____ NA ____

Remarks:

5. Do procedures for recording transactions provide for use of single source data entry and for uniform standards for maintaining accounting records?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 6. Is a joint review of unliquidated obligations (ULOs) conducted annually by accounting personnel and representatives of the serviced activities?

Response: YES ____ NO ____ NA ____

Remarks:

Step 2: Maintain an adequate cash balance at all times to meet expenses.

Risk: Cash may not be available to meet expenses and/or an antideficiency violation could result from a negative cash balance.

Control Objective: Continual monitoring of sources of income and cash requirements.

Control Technique: Require continual clearing of billable costs, aggressive follow-up of receivables, prompt distributions of costs to benefiting projects, review of all distributive rates (including plant charges: depreciation, increment, and insurance), and cash reconciliation performed each COEMIS F&A update.

Test Question:

1. Are accounts receivable (A/R) reviewed and analyzed monthly to ensure aggressive follow-up action on uncollected accounts?

Response: YES ____ NO ____ NA ____

Remarks:

2. When charge-off is authorized, are uncollectible A/R charged off to the activity or function for which the receivable was established?

Response: YES ____ NO ____ NA ____

* Remarks:

3. Is a monthly report of all delinquent A/R submitted to the commander/director?

Response: YES ____ NO ____ NA ____

Remarks:

4. Do billing procedures ensure that unbilled costs are not allowed to accumulate?

Response: YES ____ NO ____ NA ____

Remarks:

5. Is RF cash reconciled and monitored on an up-date to up-date basis to relate proper cash balances to major projected expenditures; i.e., PRIP, seasonal peaks, etc.?

Response: YES ____ NO ____ NA ____

Remarks:

6. Are document files reconciled monthly with COEMIS F&A open items listings and the controlling general ledgers?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 7. Are procedures in effect to ensure that all RF distributive rates (including plant charges: depreciation, increment, and insurance) are reviewed at least no less than required by ER 37-2-10?

Response: YES _____ NO _____ NA _____

Remarks:

8. Are procedures in effect to ensure that all RF distributions are reviewed to validate that projects (or other accounts) are being charged based solely on actual benefit received?

Response: YES _____ NO _____ NA _____

Remarks:

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* EVENT CYCLE 2: Plant Replacement and Improvement Program (PRIP)

Risk: Improper use of PRIP funds in acquiring plant, property, and equipment.

Objective: Ensure that all funds are properly used and accounted for in the acquisition of PRIP plant, property and equipment.

Control Technique: Require that all PRIP requirements, acquisitions and expenditures be in accordance with established policies.

Test Question:

1. Are local procedures published to clearly document PRIP policies?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are all plant, property, and equipment purchased through PRIP when they meet the capitalization criteria?

Response: YES ____ NO ____ NA ____

Remarks:

3. Is plant, property and equipment purchased to serve only one project acquired with that project*s funds and not with PRIP?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 4. Is construction of area/project offices exclusively for multiple military projects financed with either Military Construction, Army (MCA) or Operation and Maintenance, Army (OMA) funds?

Response: YES ____ NO ____ NA ____

Remarks:

5. Are accounts established in F&A prior to initiation of construction or procurement for acquisition of land, structures, or equipment?

Response: YES ____ NO ____ NA ____

Remarks:

6. Are procedures adequate to ensure that acquisitions are transferred to plant in service no later than the month following receipt of the receiving or completion report?

Response: YES ____ NO ____ NA ____

Remarks:

7. Are transfers of Revolving Fund assets to other appropriations or agencies without reimbursement authorized by HQUSACE?

Response: YES ____ NO ____ NA ____

Remarks:

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* 8. Is book cost and accrued depreciation recorded at both the losing and gaining command within the same quarter; ideally within the same accounting month, when property is transferred under continuing Revolving Fund ownership?

Response: YES ____ NO ____ NA ____

Remarks:

9. Are depreciation schedules reviewed annually and are new schedules prepared at least every 2 years?

Response: YES ____ NO ____ NA ____

Remarks:

10. Is depreciation charged on all structures and equipment owned by the Revolving Fund except for those in process of acquisition or disposal, or in mothball status? Are depreciation charges entered in the accounts monthly?

Response: YES ____ NO ____ NA ____

Remarks:

11. Are plant accounts properly classified in Group and Non-Group operating accounts?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 12. Are usage rates for Non-Group Plant prepared and submitted on ENG Form 22 as outlined in ER 1125-2-306?

Response: YES ____ NO ____ NA ____

Remarks:

13. Are rates for use of Group Plant prepared and submitted on ENG Form 2438 as outlined in ER 1125-2-306?

Response: YES ____ NO ____ NA ____

Remarks:

14. Are sales, dismantlements or condemnations processed through Plant Retirement Work in Progress (GLAC 308.00) and is the transaction supported by a retirement work order (ENG 3013) or other appropriate document?

Response: YES ____ NO ____ NA ____

Remarks:

15. Is Revolving Fund plant, property, or equipment lost or damaged beyond economical repair taken out of service and charged to insurance immediately after the loss or damage is discovered?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 16. Is the borrowing command charged with the cost of operation when Plant is loaned between USACE Commands; does the predetermined rate for the use of each unit include costs of the kinds properly chargeable to the Revolving Fund Insurance account?

Response: YES ____ NO ____ NA ____

Remarks:

17. Is mothballing of items of plant anticipated and the usage rates adjusted to provide a credit balance to cover estimated mothballing costs?

Response: YES ____ NO ____ NA ____

Remarks:

18. Are depreciation, plant increment and insurance charges suspended during mothball status; upon reactivation, is useful life recomputed and rates for depreciation, plant increment and insurance reestablished?

Response: YES ____ NO ____ NA ____

Remarks:

19. Are plant operating balances applicable to plant placed in mothball status charged to a deferred account and, for debit balances, absorbed on an equitable basis into the work of the USACE command last utilizing the plant or, for credit balances, used as an offset to the mothballing and demothballing expenses?

Response: YES ____ NO ____ NA ____

Remarks:

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* EVENT CYCLE 3: Labor and Payroll Accounting

Risk: Untimely processing of payroll and inaccurate labor distribution.

Objective: It is essential that the true financial position of the RF be recorded and reported to higher authority. Ensure that every effort is made to promptly record labor transactions and obtain reimbursement from using appropriations or projects.

Control Technique: Ensure that all effective labor rates are reviewed and adjusted if necessary.

Test Question:

1. Is labor cost computed at the effective time rate?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are Government Contribution (VW47) and Leave Liability (VW93) accounts reviewed at least quarterly?

Response: YES ____ NO ____ NA ____

Remarks:

3. Are Government Contribution (VW47) and Leave Liability (VW93) accounts reconciled with the Central Payroll Office accrued annual leave report (V2 report) at least twice per year?

Response: YES ____ NO ____ NA ____

Remarks:

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* 4. Are operating accounts*reviewed monthly to identify losses and is corrective action taken?

Response: YES ____ NO ____ NA ____

Remarks:

5. Is the leave liability reserve within plus or minus 5% of the actual leave liability as of the end of the leave year?

Response: YES ____ NO ____ NA ____

Remarks:

6. Is an employee*s accrued leave transferred when the employee is transferred to another Corps command serviced by a RF?

Response: YES ____ NO ____ NA ____

Remarks:

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* EVENT CYCLE 4: Function of Shop and Facility Accounts

Risk: Inaccurate distribution of operating expenses and income of shops, laboratories, garages, ADP and other facilities.

Objective: Accurate maintenance of the accounts enables the ready analysis of workload, efficiency of the operation, and profit or loss connected with the particular facility by the operating managers.

Control Technique: Follow prescribed procedures in ER 37-2-10 for analyzing and reconciling accounting data.

Test Question:

1. Are budget/cost schedules prepared for each shop and facility account?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are the accounts analyzed at least quarterly?

Response: YES ____ NO ____ NA ____

Remarks:

3. Are predetermined rates used for distribution of laboratory operation (VW41)?

Response: YES ____ NO ____ NA ____

Remarks:

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* 4. Is work performed in shop and facility services initiated by work orders?

Response: YES ____ NO ____ NA ____

Remarks:

5. Are ADP costs initially charged to VW50 and then sold to the benefiting appropriation or activity account?

Response: YES ____ NO ____ NA ____

Remarks:

6. Are predetermined rates based on machine hours or computer resource units used to sell indirect ADP charges?

Response: YES ____ NO ____ NA ____

Remarks:

7. Is Job-site Labor account (VW58) credited with labor of project employees who work at military or civil project sites not under the supervision of an area office?

Response: YES ____ NO ____ NA ____

Remarks:

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- * EVENT CYCLE 5: General Administration (G&A) and Departmental Overhead.

Risk: Reliance on inaccurate reports of resources devoted to overhead functions may contribute to faulty management decisions and costs not matched for distributed within the proper accounting period.

Objective: Ensure effective recording and reporting of the administrative and Departmental Overhead functions of the District.

Control Technique: Ensure the costs of performing these functions are budgeted and are continuously controlled to the fullest extent practicable.

Test Question:

1. Are budgets submitted for the general overhead, departmental overhead, and area office accounts?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are the general overhead, departmental overhead, and area office accounts reviewed at least quarterly?

Response: YES ____ NO ____ NA ____

Remarks:

3. Are distributive costs of shops and facilities included in the general overhead/departmental overhead base in computing rates?

Response: YES ____ NO ____ NA ____

Remarks:

* 4. Is the one hour rule used to charge labor to projects?

Response: YES ____ NO ____ NA ____

Remarks:

5. Is general overhead and departmental overhead expense incurred and distributed during the same fiscal year insofar as possible?

Response: YES ____ NO ____ NA ____

Remarks:

6. At year end, are nominal balances within plus or minus five percent (+/-5%) of the G&A and departmental overhead monthly average?

Response: YES ____ NO ____ NA ____

Remarks:

7. If an account falls outside the allowable balance at the mid-year review, are reasons given and are actions identified to ensure that the balance is corrected by the end of the fiscal year?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 8. If an account falls outside the allowable balance at year end, are reasons given and are actions identified to ensure that the balance is corrected by the end of the next fiscal year?

Response: YES _____ NO _____ NA _____

Remarks:

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* EVENT CYCLE 6: Reimbursable Orders

Risk: There may be unauthorized or improper use of RF on reimbursable work for others.

Control Objective: Assure that reimbursable work is properly accounted for.

Control Techniques: Require that all reimbursable orders and work be in compliance with governing regulations.

Test Question:

1. Is the appropriate Work in Progress account used to identify the type of ordering activity; i.e., VW812 for work chargeable to other federal appropriations and agencies?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are reimbursable orders from other USACE Commands which cite the Revolving Fund or Civil Works Appropriations as the funding source processed within the Revolving Fund module?

Response: YES ____ NO ____ NA ____

Remarks:

3. Do Commands with military accounting process orders citing military funds in the military reimbursable account and not in the Revolving Fund?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 4. Are reimbursable orders citing expiring appropriations accepted in the amount which is estimated to be incurred for performance of work prior to expiration?

Response: YES ____ NO ____ NA ____

Remarks:

5. Are advances received and deposited in the Treasury before work is commenced on work for agencies/organizations outside the Federal Government?

Response: YES ____ NO ____ NA ____

Remarks:

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* EVENT CYCLE 7: Military Construction Supervision and Administration (S&A)

RISK: The Corps-wide S&A rate may not be accumulated in the Revolving Fund and distributed to line items or projects for all military construction projects.

Control Objective: Assure that S&A cost is accumulated and distributed to Military projects.

Control Techniques: Require that S&A be accounted for in compliance with governing regulations.

Test Question:

1. Does "Income" reported to HQUSACE monthly, equal the product of the applicable S&A rate times the related "Work Placement"?

Response: YES ____ NO ____ NA ____

Remarks:

2. Do sales recorded in the VW65 and VW66 accounts equal S&A charged to military projects?

Response: YES ____ NO ____ NA ____

Remarks:

3. Are prescribed procedures followed by "civil only" Commands requested to do military work?

Response: YES ____ NO ____ NA ____

Remarks:

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- * 4. Is the monthly transfer of S&A costs and income to the Omaha district performed as specified in ER 37-2-10?

Response: YES ____ NO ____ NA ____

Remarks:

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