

CHAPTER 22

REVOLVING FUND ACCOUNTING FOR DEPARTMENTAL OVERHEAD

22-1. General. Departmental overhead (RF61) work items are established on an organization basis. They are used to record and distribute costs incurred in the day to day operation of technical organizations which either cannot be directly identified to or are not readily chargeable directly to a specific project, program or reimbursable order. Only those projects, programs and reimbursable orders being performed, in whole or in part, within a technical organization benefit from the indirect costs incurred within that organization. Accordingly, departmental overhead costs are only distributed to those projects in which the technical organization is actively involved based on the direct labor charged to the projects, programs and/or reimbursable orders.

22-2. Subsidiary Work Items. The subsidiary work items listed below will be maintained to identify departmental overhead costs. They are the only subsidiary work items currently authorized for use.

a. RF6101 - Operations. Includes costs of supervising and directing operations and maintenance of waterways and all permanent project facilities for the district to include hydroelectric power generating facilities, locks, dams, spillways, navigation and flood control structures, reservoirs, floating and land plant, channel and harbor dredging, etc. (See ER 10-1-3.)

b. RF6102 - Construction. Records the administration and supervision for all contract construction work of the district and all construction by government plant and hired labor, except maintenance, dredging, snagging work, and wreck removal. (See ER 10-1-3.)

c. RF6103 - Construction/Operations (CONOPS). Records operations and construction at those districts where the two functions have merged into a single organizational entity.

d. RF6104 - Engineering. Contains cost of collecting basic engineering data required for engineering and design that cannot be identified to a specific project.

e. RF6105 - Program/Project Management. This work item is used to record and distribute costs related to the practical and orderly planning for and scheduling of engineering, construction, and operation and maintenance activities and the overall administration of projects which cannot be identified to specific projects. As a general rule, all costs (labor, training, travel, per diem, etc.) of the Deputy for Project Management (DPM) which cannot be identified to specific projects will be charged to this work item. However, there are instances in which the DPM also performs general and administrative duties as Deputy Commander which are completely unrelated to his or her duties as a DPM. In these instances, the costs (labor, training, travel, per diem, etc.) associated with the performance of these secondary duties will be charged to the executive office general and administrative (G&A) overhead (RF6001) work item. The direct charging rule will be used to determine to which work item (RF6105 or RF6001) labor that cannot be identified to a specific project should be charged. Borrowed labor procedures will be used to process labor charged to the RF6001 work item by the DPM.

f. RF6106 - Real Estate. Costs for supervising and coordinating the district's real estate activities are recorded in this work item. Services of Real Estate attorneys in direct support of real estate activities should be charged directly to the applicable project in accordance with the direct charge rule whether they are organizationally in the Real Estate Division or in the Office of Counsel.

g. RF6107 - Planning Division. This work item captures the costs of planning activities in the district.

h. RF6108 - Emergency Operations. Labor and travel costs of district office employees temporarily assigned to emergency operations are recorded in this work item. These costs will not be reflected in the costs of the district office organizational elements from which the employees are drawn. They will be credited as sales to work item RF6108 and charged to the applicable flood control and coastal emergency work item, leaving no balance to be distributed as overhead.

i. RF6109 - Emergency Management. Records staff and operating expenses of the emergency operations function that cannot be identified to a specific project. These functions include natural disasters such as floods, hurricanes, volcanic eruptions, earthquakes, etc.

j. RF6110 - Value Engineering. Costs of value engineering

personnel not identified as project specific are to be charged to this work item and distributed based on a departmental overhead rate.

k. RF6111 - Regulatory. Includes all operating expenses which provide the program overview of the regulatory program such as assuring compliance with the various Rivers & Harbors Acts, the Clean Water Act of 1977, the Marine Protection, Research and Sanctuary Act of 1972, and all regulations derived from those Acts.

- l. RF6112 - Training - CEHNC Only.
- m. RF6113 - Chemical Demil - CEHNC Only.
- n. RF6114 - Special Projects - CEHNC Only.
- o. RF6115 - Passaic River Division - CENAN Only.
- p. RF6116 - Ordnance and Explosive Waste Disposal - CEHNC Only
- q. RF6117 - Special Procurements - CEHNC Only
- r. RF6118 - Environmental - CELRN and CESWF Only.
- s. RF6119 - Navigation Planning - CELRH Only.
- t. RF6120 - Engineering and Construction CESWF, CESWL, CELRH, CENWS and CENWK Only.
- u. RF6121 - Engineering and Technical Services.
- v. RF6122 to RF6132 - Reserved for HQUSACE Use.
- w. RF6133 to RF6179 - ERDC Only.
- x. RF6180 - Technical Services Washington Aqueduct Only
- y. RF6181 - Project Delivery Team Test CENWS Only
- z. RF6182 - Directorate of Ballistic Missile Defense (BMD) CEHNC Only.

22-3. Labor and Other Costs.

a. Labor Costs.

(1) Labor hours of team members assigned to technical organizations, including supervisors and clerical and administrative staff, which are actually worked on a specific project, program or reimbursable order must be charged as direct labor to that project, program or reimbursable order in accordance with the provisions of Chapters 6 and 7.

(2) Labor hours of a general nature which cannot be identified to or are not readily chargeable to specific projects, programs or reimbursable orders will be charged to departmental overhead work items as indirect labor. Labor related to non-project specific training (including full time attendance at colleges and universities), staff meetings, professional seminars, recruiting efforts, personnel management activities (including general supervision, performance appraisals, counseling and other like activities), committee meetings, general administration and other such activities are prime examples of labor of a general nature which should be charged to departmental overhead work items as indirect labor.

(3) Under no circumstances will labor hours actually worked on a specific project, program or reimbursable order be charged or transferred to another project, program, reimbursable order or departmental overhead work item as indirect labor to mask cost overruns, compensate for funding shortfalls, avoid reprogramming actions, mask potential Anti-Deficiency Act violations or clear labor rejects. Charging or transferring labor hours actually worked on a specific project or reimbursable order to another project, reimbursable order or to a departmental overhead work item for these purposes in itself results in a statutory violation and could ultimately result in an Anti-Deficiency Act violation. Therefore, managers of all technical organizations must establish and maintain procedures and internal controls to ensure labor hours are not mischarged. In addition, Resource Managers/ Comptrollers and their staff must ensure that documented and/or suspected labor mischarges are reported to the local commander for investigation and appropriate corrective action and/or disciplinary action.

(4) Loaned Labor. With the exceptions noted below, departmental overhead will be applied to labor of team members

loaned (TDY assistance) to another Corps entity (HQUSACE, Major Subordinate Command, District Command, Operating Division, Laboratory and/or Field Operating Activity) or another government agency on a reimbursable basis and to labor loaned within a Corps entity (from one office to another).

(a) Direct labor costs applicable to services of team members on a formal SF 50 (Notification of Personnel Action) or executive development assignment to another organization within the same USACE subordinate command.

(b) Labor of team members on formal SF 50 action detail to another government agency.

(c) Labor of engineers and/or inspectors informally detailed (no SF 50 action) to work on disaster assistance activities under the direct supervision of the Federal Emergency Management Agency (FEMA) or when performing work such as damage assessments, damage survey reports, or final inspection reports which do not involve direct district office supervision (in accordance with ER 11-1-320).

(d) Labor of team members on PCS house hunting trips.

(e) Labor of DA Interns.

(f) Labor of technical personnel charged to general and administrative (G&A) overhead (RF60) work items.

b. Other Costs.

(1) Administrative Costs. The following types of administrative costs incurred within technical organizations will be charged to the organization's departmental overhead work item:

- (a) training
- (b) management and manpower surveys
- (c) programming, budgeting and scheduling
- (d) review and evaluation of management
- (e) preparation of State pamphlets
- (f) responses to other than congressional inquiries regarding probable development of a project or study when not covered by directly appropriated funds
- (g) preparation of annual reports
- (h) quarterly review and analysis
- (i) preparation of charts and exhibits for meetings, staff visits, etc.

ER 37-2-10
Change 89
31 Oct 00

- (j) service to other executive, advisory and administrative elements.
- (k) service to other agencies and local interests when not covered by directly appropriated funds and/or memorandum of understanding and support agreements
- (l) speeches
- (m) indirect labor (non-project specific)
- (n) temporary duty travel (non-project specific)
- (o) permanent change of station travel
- (p) incentive and performance awards
- (q) equipment ownership (PRIP) charges (i.e., depreciation, insurance and plant replacement charges)
- (r) expendable equipment
- (s) supplies and materials**
- (t) equipment maintenance when not plant, shop or facility owned
- (u) transportation/shipping charges
- (v) printing charges
- (w) CEAP-IA charges
- (x) communication charges
- (y) centralized activity charges***
- (z) visual information charges
- (aa) vehicle charges
- (ab) revolving fund facility work item charges
- (ac) support contracts
- (ad) GSA space costs
- (ae) suggestions and incentive awards
- (af) postal services

** Excludes supplies and materials drawn from central "free issue" supply rooms.

*** Limited to centralized activities that benefit a single organizational element.

(2) The following types of administrative costs will not be charged to departmental overhead work items:

- (a) general and administrative overhead
- (b) centralized payroll, finance and accounting, and human resources costs
- (c) central (free issue) supply room charges
- (d) costs incurred in support of a single project
- (e) project specific labor or other costs for which sufficient project funds are not available

(3) Engineer Interns (other than DA interns). Labor and travel costs of engineer interns are charged to the departmental or resident/area office overhead work item to which the intern is assigned. Engineer intern costs are included in the calculation of a departmental or resident/area office overhead rate so that the costs of the engineer interns are ultimately distributed to military and civil projects. However, when the intern is assigned to a project office having supervision over only one project, the direct charge method is appropriate for recording engineer intern's labor and travel costs. All costs related to an engineer intern who is assigned to the Army Facilities Engineer will be shared by the engineering, planning, construction, and operations divisions in direct proportion to the technical division's direct labor costs. This is done by initially charging the engineer intern costs to an RF59 work item and then distributing them to the appropriate departmental overhead work items.

22-4. Distributions. A technical division's departmental overhead will be distributed on effective labor charged direct to projects, programs and support for others work items as an add-on percentage. Departmental overhead will not be applied to the following:

- Direct labor costs applicable to services of team members on a formal SF 50 (Notification of Personnel Action) or executive development assignment to another organization within the same USACE subordinate command.
- Labor of team members on formal (SF 50 action) detail to another government agency.
- Labor of engineers and/or inspectors informally detailed (no SF 50 action) to work on disaster assistance activities under the direct supervision of Federal Emergency Management Agency (FEMA) or when performing work such as damage assessments, damage survey reports, or final inspection reports, which do not involve direct district office supervision (in accordance with ER 11-1-320).
- Labor of team members on PCS house hunting trips.
- Labor of DA Interns.
- Labor of technical personnel charged to general and administrative (G&A) overhead (RF60) work items.

a. Effective Management. Effective management of the indirect costs incurred by the technical staff is an essential factor in the successful operation of a USACE Command. Departmental overhead work items provide the cost of performing indirect technical functions and facilitate comparison of budgeted and actual costs. All costs should be budgeted and monitored at least quarterly. Predetermined rates for each technical division will be developed by relating the technical division's estimated indirect costs to its estimated direct labor base. Rates will be reviewed not less frequently than quarterly and adjusted as necessary to absorb the indirect costs during the fiscal year. Rates will also be reviewed and adjusted when it becomes known that: (1) a major expenditure, such as a move to a new building or leased space, will be delayed until the next fiscal year; (2) that it will be necessary to make a major unplanned expenditure, such as VERA/VSIP payments, during the current fiscal year; and/or (3) the projected income included in the operating budget and rate computations will either not materialize or significantly exceed the anticipated amount.

b. Civil-Only Activities. Subordinate Commands without direct military missions (civil-only activities) will establish one single departmental overhead work item rate for each separate organization. These departmental overhead rates (which will be different for each organization) will be used to distribute departmental overhead to all programs and projects including military projects performed on a reimbursable basis. See Appendix 22A for sample civil-only Engineering Division departmental overhead rate calculation.

c. Activities with both Civil Works and Military Missions. Subordinate Commands with both direct civil works and direct military missions will establish two departmental overhead rates (one basic rate which does not include GSA space costs and one civil works rate which includes GSA space costs) for each departmental overhead account. The basic military rate will be used to distribute departmental overhead to all military programs and projects (including military reimbursable projects) and the revolving fund flat rate S&A (RF65, RF66 and RF68) work items. The civil works rate will be used to distribute departmental overhead to civil works projects and programs (including civil reimbursable projects and RF operated shop and facilities). See Appendix 22-B-1 for sample civil and military Engineering Division departmental overhead rate calculations.

d. The amount of departmental overhead will be shown

separately on all customer bills.

22-5. General Ledger Accounts.

a. GLAC 3318.10 - Results from Operations. Operating balances (expense less income) are closed into this GLAC at the end of each fiscal year.

b. GLAC 5000 Series - Revenues. Represents income from sales of goods or services provided by the Revolving Fund.

GL 5100.10 Revenue from Goods Sold - Public
GL 5100.21 Revenue from Goods Sold - Intra Revolving Fund
GL 5100.22 Revenue from Goods Sold - Civil Works
GL 5100.23 Revenue from Goods Sold - Other Army
GL 5100.30 Revenue from Goods Sold - Government - Non-Army
GL 5200.10 Revenue from Services Provided - Public
GL 5200.21 Revenue from Services Provided - Intra Revolving Fund
GL 5200.22 Revenue from Services Provided - Civil Works
GL 5200.23 Revenue from Services provided - Other Army
GL 5200.30 Revenue from Services Provided - Government - Non-Army

c. GLAC 6000 Series - Operating Expenses. Reflects the operating expenses and joint cost credits.

22-6. Pro-forma Entries.

a. Distribution of Overhead to Other Revolving Fund work items - JCC (except customer orders financed by the Revolving Fund).

DR: 6% Applicable Operating Expense
CR: 6100.30 JCC Intra Fund Sales

b. Sale of Overhead to Civil Works

DR: 1011.00 Funds Collected (no-check transfer)
CR: 5200.22 - Sales SVC - Civil Works

c. Sale of Overhead to Military Appropriations

DR: 1311.11 Work items Receivable - Intra District_Curr
CR: 5200.23 - Sales SVC - Other Army

22-7. Fiscal Year Budget and Quarterly Reviews.

a. Commanders must prepare a Budget/Cost Schedule for each Revolving Fund departmental overhead work item (RF61) within their command. Use of the CEFMS operating budget module is encouraged but not mandatory. A sample budget schedule format is provided in Appendix 22-B-1 for those USACE Commands who have elected not to use CEFMS or some other automated cost vs. budget schedule/system. As the focal point for formulation of the overall operating budget, the local resource management official is responsible for oversight of the budget formulation process and for providing sound financial advice to individual work item managers. Work item managers are responsible for the actual budget formulation, rate setting, the day to day financial management of departmental overhead work items, and the achievement of a zero balance by the end of each fiscal year.

b. In order to ensure that all applicable statutory requirements are met, operating budgets must be constructed to achieve a fiscal year end balance of zero for each departmental overhead work item and distribution rates must be established accordingly. Budget execution plans must match expenses to projected income streams. Activities operating in the CEFMS environment are encouraged to use system-generated rates to the maximum extent possible.

c. In rare and unusual circumstances, HQUSACE may authorize construction of an operating budget aimed at achievement of a fiscal year end balance other than zero for a particular departmental overhead work item. Requests for authority should be forwarded to CERM-ZA for approval. Approvals remain in effect until withdrawn by HQUSACE. A file of HQUSACE approvals must be maintained by the local Resource Management Office.

d. Expense/income studies will be conducted at least quarterly to determine whether or not the budget projections are on track and the existing rates are properly set. Expense/income studies will also be conducted when it becomes known that: 1) a major expenditure, such as a move to a new building or leased space, will be delayed until the next fiscal year; (2) that it will be necessary to make a major unplanned expenditure, such as VERA/VSIP payments, during the current fiscal year; and/or (3) the projected income included in the operating budget and rate computations will either not materialize or significantly exceed the anticipated amount. Commanders must ensure that work item managers take appropriate corrective action (reduce spending, surcharge, rebate, increase/decrease rates, etc.) based on the results of these reviews.

e. At the end of each fiscal year, each departmental overhead work item will be analyzed to determine the degree of effectiveness with which it was managed and to ensure that all statutory requirements are met.

(1) With the exception of those rare departmental overhead work items for which a special year end balance other than zero has been authorized by HQUSACE, the year end balance for each departmental overhead work item should be zero. However, a balance for departmental overhead as a whole which falls within a nominal balance range of plus or minus (+ or -) one percent (%) of current year expenditures, exclusive of joint cost credits, meets current statutory requirements for achievement of a zero balance and is acceptable, although not desirable.

(2) Any amount in an individual departmental overhead work item which falls outside a nominal balance range or exceeds a special year end balance approved by HQUSACE represents a possible statutory violation and, as a minimum, will be subject to censure by the local commander. Amounts which fall outside the nominal balance range for departmental overhead as a whole will, as a minimum, be subject to censure by the Chief of Engineers.