

CHAPTER 27

REVOLVING FUND ACCOUNTING
FOR MILITARY CONSTRUCTION
SUPERVISION AND ADMINISTRATION

27-1. General.

a. ER 37-345-10, chapter 7 provides for the application of supervision and administration (S&A) to military construction work at flat rates. The rates will be reviewed periodically by the Director of Resource Management and revised as necessary. Supervision, inspection and overhead costs will not be charged directly projects to which the flat rate is applicable. Instead, such costs will be charged to Revolving Fund work items in the RF65, RF66, or RF68 series. S&A costs will be distributed at the current S&A rates and charged to military or civil work items as appropriate. Note that distributions to civil work items is limited to use by Omaha District in support of the Rapid Response program. S&A costs distributed will be credited to the RF65, RF66 and RF68 work items. The difference between S&A costs incurred and distributed will be transferred to the USACE Finance Center (UFC). The Rapid Response S&A balance is managed by the Omaha District and is not transferred to the UFC.

b. The flat rate S&A work items (RF65, RF66, and RF68) will not, under any circumstances, be used to acquire capital assets (assets having an acquisition cost in excess of the monetary capitalization threshold and useful life of two years or greater) for use within Area Offices or to construct, operate or maintain Area Office Facilities (permanent structures, modular buildings, pre-manufactured buildings, LAN, relocatable buildings, etc.). Use of the flat rate accounts for either of these purposes will result in a statutory violation subject to administrative/disciplinary action. See paragraph 26-1 for funding sources for capital asset acquisition in support of Area Office operations.

27-2. General Ledger Accounts - Supervision and Administration.

a. GLAC 3318.10 - Results from Operations. The operating balances (expenses less income) are closed into this General Ledger account at the end of each fiscal year.

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

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GLAC 5100.10 Revenue from Goods Sold - Public
GLAC 5100.21 Revenue from Goods Sold - Other Corps' Revolving
Fund

GLAC 5100.22 Revenue from Goods Sold - Civil Works
GLAC 5100.23 Revenue from Goods Sold - Other Army
GLAC 5100.30 Revenue from Goods Sold - Government - Non-Army
GLAC 5200.10 Revenue from Services Provided - Public
GLAC 5200.21 Revenue from Services Provided - Other Corps'
Revolving Fund
GLAC 5200.22 Revenue from Services Provided - Civil Works
GLAC 5200.23 Revenue from Services Provided - Other Army
GLAC 5200.30 Revenue from Services Provided - Government -
Non-Army

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

27-3. Subsidiary Accounts - Military Supervision and Administration.

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

b. RF6600 - O&M (Except DERP) Supervision and Administration. This work item is generally used to record S&A costs of O&M (except DERP) and Department of Defense (DOD) projects funded by the Defense Appropriations Act.

c. RF6601 - O&M DERP Supervision and Administration. This work item is generally used to record S&A costs of Defense Environmental Restoration and Base Realignment and Closure (BRAC) environmental projects.

d. RF6800 - Rapid Response Supervision and Administration (Omaha only). This work item is used to record S&A costs of Rapid Response projects managed by Omaha District.

27-4. Accounting for S&A Costs.

a. Revolving Fund work items RF6500 MILCON, RF6600 O&M (Except DERP), RF6601 O&M DERP and RF6800 Rapid Response are established to capture the actual costs of providing S&A services.

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

the construction project.

c. Income to the Revolving Fund S&A work items is generated by the flat rate applied to the direct construction costs of the project funded work items. Income does not post to the Revolving Fund work item unless there are sufficient funds on the project funded work item to accept the flat rate S&A charge. Care must be exercised to ensure that the flat rate charge to the project is posted in the same month as the direct construction costs are incurred. Failure to post the flat rate expense results in leakage. Leakage is defined as the amount of expected income (placement times the current S&A rate) less the income accumulated in the revolving fund S&A work item.

d. Caution must also be exercised that only proper expenses are charged to the S&A accounts. Refer to ER 415-1-16, Chapter 2 of the Construction Fiscal Management Regulation for a description of the kinds of expenses appropriately charged to the S&A accounts. In addition, there is no authority for the S&A accounts to be charged with expenses to construct or enter into a capital lease for facilities (relocatable or permanent). Facilities should be provided by the customer or funded from military project funds.

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

(1) Liquidated damages attributable to increased engineering and design expenses will be credited to the appropriation that funded the increased engineering and design expenses. The resource code DAMASSCONT will be used to record the collection of liquidated damages on the project funded work item.

(2) Liquidated damages attributable to increased direct construction costs will be credited to the appropriation that funded the increased direct construction costs. The resource code DAMASSCONT will be used to record the collection of liquidated damages on the project funded work item as to not distort amounts of direct construction costs. The amount of the flat rate charge originally applied to the direct construction costs is not to be recouped to cover those S&A expenses of a

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prior accounting period. In the case of a new construction contract being awarded to complete the work of a defaulted contractor, S&A funds must be requested from the customer to offset S&A expenses of the current accounting period.

(3) Liquidated damages on delayed performance that is attributable to increased S&A expenses will be credited to the appropriate S&A clearing account maintained by the UFC. Make checks payable to the Finance and Accounting Officer, UFC. Liquidated damages on delayed performance that is attributable to increased S&A expense for Rapid Response projects will be credited to the RF6800 work item maintained by the Omaha District.

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

(5) The balance of liquidated damages in excess of increased expenses must be deposited into the General Fund of the U.S. Treasury as Miscellaneous Receipts. Failure to deposit the balance of liquidated damages in excess of increased expenses into Miscellaneous Receipts results in multiple statutory violations.

(6) Increased expenses of the customer can also be offset by the liquidated damages. For example, if customer incurs additional lease expenses due to delay of completion, those expenses can be offset by the liquidated damages. Record the collection of liquidated damages under the project funded work item which contractor earnings were incurred using the resource DAMASSCONT as to not to distort direct construction costs.

f. Request/Approval for Military S&A Cost Transfers. This section addresses cost transfers for military S&A. Procedures for labor cost transfers are described in para 7-5c, while other FOA cost transfer procedures are described in par 6-29.

(1) There are acceptable reasons for initiating an S&A cost transfer. Cost transfers or corrections are not necessarily indicative of financial mismanagement. Examples of honest mistakes would include an employee selecting a wrong ordering or funded work item when creating a Purchase Request and Commitment (PR&C). A legitimate mischarge could also occur if an incorrect work category code, resource code, or organization code were selected for the PR&C.

(2) The responsibility for initiating a request for a non-labor cost transfer depends on the source of the mischarge. For clerical errors involving such items as organization, work category, work category element, or resource codes, the responsible employee would generally be the initiator of the PR&C. Changes from a wrong 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.

(3) The initiator of the cost transfer must have S&A 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 7.4.10 (S&A Cost Transfers with FOA) and identify the amount to be transferred. The account information to be "transferred to" will also be identified on CEFMS screen 7.4.10 with appropriate justification entered for the transfer.

(4) The requirements outlined above may be expanded as deemed necessary to strengthen local internal controls. In all cases, the district Resource Management officer as well as the responsible division and office chiefs will monitor the cost transfer practices to uncover repetitive problems and/or trends, and take corrective action.

g. Transfer of Month-end Balance of S&A Costs to the UFC. All USACE Commands will process S&A balances (gains or losses) to the UFC monthly. S&A transfers are processed by accessing CEFMS screen 7.4.11. CEFMS requires the initiator to have access control permissions to effect the transfer. Transfer amounts are made separately for MILCON and O&M. The transfer amount for O&M includes amounts for O&M Except DERP and O&M DERP. The initiator selects the transfer type "SACON" to transfer MILCON S&A balances from the RF6500 work item and the transfer type "SAOMA" to transfer O&M S&A balances from RF6600 and RF6601 work items.

The behind the scene CEFMS formula for processing month end balances is shown below:

	RF6500	RF6600	RF6601
Current Month Income	xxx	xxx	xxx
Less Current Month Expenses;			

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Supervision & Inspection General Overhead	xxx	xxx	xxx
Current Month Gain or (Loss)	xxx	xxx	xxx

If "Income" does not equal the product of the applicable S&A rate times the related "direct cost to which total income applies," the result is leakage as explained in paragraph 27-4c above. Commanders must obtain S&A funds from the customer in advance of performing work.

27-5. Accounting for S&A Costs Performed on a Reimbursable Basis.

a. Supervision and Administration Performed for Other USACE Commands. Supervision and administration effort performed by one USACE Command for another USACE Command will be performed on a reimbursable basis utilizing a Military Interdepartmental Purchase Request (MIPR). Performing USACE Commands having military accounting capability will establish a customer order in a military work item. Performing USACE Commands without military accounting capability will establish a customer order in a revolving fund work item. All expenses of the performing USACE Command will be charged direct to the customer order (i.e., not to a flat rate account) and billed to the requesting USACE Command. The requesting USACE Command will pay the bill from their appropriate flat rate account. The requesting USACE Command will be responsible for transferring month-end balances of S&A to the UFC in accordance with paragraph 27-4g. The performing USACE Command will not transfer S&A performed on a reimbursable basis. The requesting USACE Command will also have full responsibility for the military construction S&A95 report required by paragraph 18-3.

b. The following guidance is provided for workload distributions sanctioned by the Regional Management Boards (RMB) in support of S&A efforts performed for other Department of Defense (DOD) agencies. Supervision and administration performed for other DOD agencies will be performed on a reimbursable basis. Civil only USACE Commands will have another military USACE Command accepts all reimbursable orders citing military appropriations on their behalf. The military USACE Command will then issue a MIPR to the civil USACE Command and the procedures cited in paragraph 27-5a above will be followed. This ensures that military construction effort is properly reflected in the military accounting records of the Corps. If direct fund cite procedures are utilized for the contract, the military USACE Command must establish a direct fund cite customer order

(Fund Type E) and record contractor earnings using ENG Form 93 to record memo placement. Supervision and administration customer orders must be linked to the direct fund cite contract customer order to ensure applicable flat rate charges are processed.

27-6. Pro-forma Entries.

a. Sale of S&A to Military Appropriations

DR: GLAC 1311.11 Accounts Receivable
CR: GLAC 5200.23 Revenue from Services Provided

b. Monthly Transfer of S&A (RF6500/RF6600/RF6601) to UFC

Transfer of Credit Balance (Income exceeds Expenses).

Transfer District

DR: GLAC 6120.00 Other Services
GLAC 4580.11 Allotted Direct Authority
CR: GLAC 1012.00 Funds Disbursed
CR: GLAC 4931.10 Accrued Expenditures - Paid

UFC

DR: GLAC 1011.00 Funds Collected
CR: GLAC Revenue From Sales Provided

Transfer of Debit Balance (Expenses exceed Income).

Transfer District

DR: GLAC 1011.00 Funds Collected
CR: GLAC 5200.21 Revenue From Sales Provided

UFC

DR: GLAC 6120.00 Other Services
GLAC 4580.11 Allotted Direct Authority
CR: GLAC 1012.00 Funds Disbursed
GLAC 4931.10 Accrued Expenditures - Paid