

**CHAPTER 1**  
**FISCAL MANAGEMENT**

1-1. **Purpose.** This regulation establishes the policies and procedures to be used in the financial management of the construction function at the district/operating major subordinate command (MSC) level. It also establishes procedures for the management of the supervision and administration (S&A) of construction accounts at these levels.

1-2. **Applicability.** This regulation applies to all HQUSACE/OCE elements, major subordinate commands, districts and field operating activities (FOA) responsible for the supervision and administration of construction.

1-3. **References.** See Appendix A.

1-4. **General.**

a. The objective of this regulation is to provide guidance to construction managers on the effective management of construction resources within budgeted costs. The key elements of an effective financial management process are:

(1) Individual accountability for management of costs.

(2) Preparation of a comprehensive Construction Division budget and managing within it. Accurate and timely forecasting of management costs and contract placement. Effective use of accounting systems and reports to monitor costs is critical for good management and budget execution.

(3) Management of construction personnel and resources to ensure that products and projects, as defined in the Project Management Plan (PMP), are completed within budget, on schedule, and of good quality. See ER 5-7-1 (FR) for preparation of a PMP.

(4) Recording of costs to provide sufficient and reliable historical data for use in preparation of future budget estimates.

(5) Integrity and accuracy in charging of work to the appropriate account and inputting data to the appropriate database. Incorrect charging of costs may result in violations of the Anti-Deficiency Act (31 USC 1341/1517) or the Purpose Statute (31 USC 1301).

(6) Consistency with the District Operating Budget required by ER 37-1-24 (also see EP 37-1-3) and Project Management System as defined in ER 5-7-1 (FR).

b. Construction Division as used in this regulation is that organization within a Corps of Engineers district or operating MSC which is responsible for the oversight of the construction program including Military, Civil, Operations and Maintenance, Superfund and "Support for Others" (SFO) construction. It shall mean Construction-Operations (Con-Ops) Division when appropriate, and includes all subordinate field offices which are responsible for technical management of its projects/programs.

c. Supervision and administration (S&A) as used in this regulation consists of those activities performed and costs incurred which are generally considered as construction functions, and which are defined in ERs 37-2-10 and 37-345-10 as allowable charges to the S&A accounts. See Chapter 2 for a discussion of S&A activities. In the event of a conflict between Chapter 2 and the ERs referenced in Appendix A, information in the ERs shall govern.

#### 1.5. Policy.

a. Operating budget. In accordance with ER 37-1-24 and district or MSC guidance, each Chief of Construction shall prepare and maintain an annual operating budget for all construction-related activities. This budget shall be prepared as a part of the district's total operating budget for the fiscal year. The objective of the construction operating budget is to provide the Chief of Construction with the ability to direct and control the resources necessary to accomplish Construction Division's missions, and to provide the Chief with the ability to plan, organize and staff his operations. The operating budget shall include all construction-related costs, direct and indirect, as well as all funding sources; and it shall consider all income sources, which may differ from the funding sources. It shall include estimates for all the activities in which construction personnel will be involved during all phases of the life cycle of all projects, regardless of the type of funds used to pay for specific activities. All construction-related activities for which the Chief of Construction is responsible will be managed within the cost limits budgeted for them. As a minimum, the following items will be considered in preparing and managing the budget:

(1) Preparation of detailed budget estimates for the construction activities/products for each project and all separate programs/missions. The costs budgeted and the level of detail required for a given work item/contract shall be consistent with the PMP.

(2) All district S&A expenditures for military projects subject to flat rates, based on ceilings established by HQUSACE and the MSC (see Chapter 3).

(3) S&A costs for Civil Works will be based on the actual costs of managing a project (see Chapter 6).

(4) S&A costs for SFO and support for other DOD customers (i.e., those not under the Flat Rate Accounts) will be based on the actual costs of managing a project. See Chapter 4 and Chapter 6 for a discussion of "at-cost" projects.

(5) To the maximum extent possible, costs will be charged directly to the benefitting project or to the appropriate flat rate S&A account. (Note that certain "overhead" offices are charged to General and Administrative overhead and are not generally allowed to charge directly to projects. Requests for exception shall be submitted through HQUSACE, CEMP-C for review; then to CERM-F for approval.) Projects performed "at-cost" will generally require more detailed, project-specific record-keeping than those performed at a flat rate. Costs which cannot be readily identified with a specific project, e.g., overhead, will be distributed based on direct labor charges (see EP 37-1-4).

b. Responsibilities. The Chief of Construction at each district is responsible for the items listed below. With specific regard to budget preparation and execution, the chief should delegate authority and responsibility to the lowest level of management which has the ability to control such costs. The Resource Management Office is responsible for timely and accurate reporting of financial data in a format usable by Construction Division managers. In performing these responsibilities, construction managers at all levels should refer to ER 5-1-7 (FR) for guidance in regard to the following: project Work Breakdown Structure (WBS), resource planning and cost accounting, responsibilities of various functional elements as described in the Responsibility Assignment Matrix (RAM).

(1) Preparation of input by Construction Division during formulation of the district operating budget. This consists of preparation of an operating budget for Construction Division as described previously, plus any additional financial planning and information required by the Deputy District Engineer for Programs and Project Management (DDE(PPM)). The Chief of Construction will take an active role in the preparation of project study budgets, and baseline budgets and schedules to assure that adequate funds are included for construction personnel to successfully accomplish their missions. Although the project manager is responsible for overall project costs, the Chief of Construction is responsible for the preparation of budgets for, and execution of construction S&A.

(2) Stewardship of the military-related S&A accounts during the budget preparation process. During budget preparation, the Chief of Construction shall review and evaluate all items in the district operating budget which will be funded from S&A income and reconcile all proposed costs with the anticipated S&A income, to assure that mandated S&A ceilings are not exceeded.

(3) Monitoring of actual charges to the military S&A accounts throughout the budget year to assure that S&A ceilings are not exceeded; recommendation to the DDE(PPM) of actions necessary to assure that actual costs do not exceed the district available S&A income; monthly preparation and reporting to MSC of the schedule of placement and expenses. See Chapter 3 and Chapter 7.

(4) Stewardship of construction S&A accounts for Civil Works and Support for Others, and support for other DOD customers (who are exempt from flat rates) during the budget preparation process. The Chief of Construction shall review and evaluate all items in the district operating budget which will be funded from S&A income and reconcile all proposed costs with the budgeted income.

(5) Monitoring of actual charges to the S&A accounts for Civil Works, Support for Others, and support for other DOD customers throughout the budget year to assure that budgeted amounts are not exceeded; and recommendation to the DDE(PPM) of actions necessary to assure that actual costs do not exceed available income.

(6) Review and management of budgeted construction division costs throughout the fiscal year; and provision of appropriate guidance to ensure that actual costs remain within budget and other established limits.

(7) Continuous monitoring of actual and projected construction placement for all programs and projects. Make necessary adjustments to projected placement and related costs, to perform within budget. See Chapter 7, for a discussion of methods of forecasting construction placement, performance indicators and reporting requirements.

(8) Maintenance of historical records of construction-related expenses for preparation of estimates for similar projects in the future; and for feedback to the Commander, project managers, construction personnel, cost engineer and other appropriate individuals.

(9) Acquisition and maintenance of capital assets required to support the construction mission. See Chapter 8 and Chapter 9.

(10) Participation as a member of the district's project team throughout all life-cycle phases of a project, to ensure continuity and coordination among the planning, design, construction and operations/maintenance phases.