

CHAPTER 3
MANAGEMENT OF THE MILITARY
SUPERVISION AND ADMINISTRATION FLAT RATE ACCOUNTS

3-1. **General.** This chapter describes the process utilized by the Corps to manage the Military Supervision and Administration (S&A) Flat Rate Accounts. Costs for S&A are charged either at a "flat rate" or "at cost". "Flat rate" means that S&A income accrues as a percentage of the actual construction placement regardless of the actual cost of S&A for a particular project. "At cost" means that the Corps is reimbursed for the actual cost incurred in performing S&A activities for a particular project (see Chapter 4).

3-2. **Military Flat-Rate Accounts.** Several different flat rate accounts have been established for various categories of military projects as follows:

<u>Account Number</u>	<u>Account Description</u>	
VW 65	MILCON Construction	CONUS & OCONUS
VW 66	Operations and Maintenance (O&M) (includes DERP)	CONUS & OCONUS
VW 68	Rapid Response (For Hazardous, Toxic and Radiological Waste remediation program).	CONUS Only

a. All projects within a given category are charged a flat S&A rate unless a deviation is specifically approved by HQUSACE, CEMP-CM. If a deviation is approved, the new rate would apply to all construction placed after the effective date of the change. The rate is multiplied by the placement of each contract and the resulting income is credited to the appropriate account. Expenses for the month are deducted from the income, and the net gain or loss is transferred to the Corpwide central accounts which are maintained in Omaha District. The accounts are structured to group together categories of work which require similar supervision and administrative effort. For example, all Military Construction Army, Navy, Air Force, etc., are charged at the MILCON rate, while repair and maintenance work for all DOD is charged at the O&M rate.

b. The applicable flat rates are re-evaluated on an annual basis and are applicable for all DOD projects performed by the Corps. The flat rate system operates on the assumption that S&A costs for some projects will be higher than the S&A income which they generate, but will be offset by other projects which will have higher income than costs. On the average, all work within a MSC will be performed within the established rates.

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c. MILCON Flat Rate Account (VW 65). See Table 3-1 for a list of appropriations subject to the MILCON flat rate S&A account. Currently two separate flat rates apply, 6% for CONUS and 6.5% for OCONUS. This is done to account for the generally higher cost of doing business overseas. This account includes those projects defined as "Military Construction" by AR 415-15.

d. Operations and Maintenance (O&M) Flat Rate Account (VW 66). See Table 3-2 for a list of appropriations subject to the O&M flat rate account. Three separate flat rates apply: 7.5% for CONUS, 8.5% for OCONUS and 8.0% for DERP CONUS projects. The OCONUS rate accounts for the traditionally higher cost of doing business Overseas. O&M rates are generally higher than Military Construction rates, reflecting experience that supervision and administration effort for repair and maintenance type work is generally greater than for new construction.

e. Reimbursable projects are primarily funded by a Directorate of Engineering and Housing, Base Civil Engineer, or a tenant at a military installation. These projects consist mostly of repair and maintenance, and small construction projects using OMA, OMAF, RDTE, procurement or other appropriate funds provided by the sponsor/customer.

f. Rapid Response Flat Rate Account (VW 68). This S&A account is for the use of Omaha District to perform work under the Rapid Response Program for environmental remediation actions at hazardous, toxic and radiological waste sites. S&A is collected at a dual/variable rate of 15% for the first \$500,000 and 10% for amounts over \$500,000. Most types of appropriations may be used to obtain "rapid response" services: Military, Civil Works, EPA, Support for Others, etc.

3-3. Procedures for Corpwide Construction S&A Management.

a. Management of the flat rate accounts is centralized at HQUSACE (CEMP-CM). The goal of the uniform flat rate accounting procedure is to manage the Construction S&A accounts on an overall break-even basis, so as to proclude refunds or surcharges to our customers. Except for a modest positive balance of about one month's operating expense, the accounts are managed so as to minimize significant gains and losses at any given time.

b. Procedure for establishing Military S&A ceilings for major subordinate commands (MSCs).

(1) Each fiscal year (FY), MSCs with military projects are required to submit placement and expense estimates for the next FY to HQUSACE (CEMP-CM). These are then used to establish two overall

S&A rates for each MSC, one for MILCON and one for O&M work. Currently, the workload projections provided for the annual Corps of Engineers Resource and Military Manpower System (CERAMMS) manpower submission are used, so as to reduce the number of data calls to MSCs.

(2) HQUSACE establishes the construction S&A rate ceilings for each MSC. Factors considered include: budget constraints, current placement and expenses, accuracy of previous estimates of placement and expenses, size and complexity of program, manpower resources allocated, OCONUS costs, personnel benefit costs and other relevant items. Upon completion of this evaluation, HQUSACE issues construction S&A rate ceilings to the MSC by the beginning of the new fiscal year.

(3) The assigned ceilings are generally based on a percentage of the projected placement for MILCON and for O&M projects. MSCs are responsible for further assignment of ceilings to their districts. Throughout the year they shall require a monthly schedule of placement and expense from each district, showing how each district plans to stay within its assigned ceiling. Military projects performed with "at-cost" rates are not included in these ceilings.

c. Placement and expense schedules.

(1) Throughout the fiscal year MSCs are responsible for monitoring their districts' progress in meeting the assigned ceilings by reviewing the monthly reports of placement and expenses. If income changes, adjustments in expenses must be considered. In general, decreases in S&A costs will be made commensurate with shortfalls in placement to maintain the assigned S&A ceiling. Conversely, when placement increases, additional costs may be authorized, with S&A rate ceilings to be adjusted by CEMP-CM. MSCs may allow fluctuations among their districts at a level that does not jeopardize their ability to provide a quality product.

(2) At the MSC level, should there be a fluctuation in either placement or expenses which will cause the MSC to exceed its assigned S&A ceiling by 0.2%, or fall 1.0% below it, CEMP-CM shall be notified immediately. The notice shall include a full explanation of the circumstances and corrective steps which will be taken to get back within the rate ceilings. This is required since fluctuation by one MSC requires a reanalysis of the entire account to ensure that the overall Corps' S&A rate is not exceeded. See Chapter 7 for additional reporting requirements.

c. Management of military S&A costs and income.

(1) Construction S&A income is generated by applying a flat rate to all construction costs for a project except S&A and EDC. (If a change of a flat rate is approved by HQUSACE, the new rate shall apply to construction placed after the effective date.) Costs directly associated with the accomplishment of S&A activities will be charged directly to the appropriate Revolving Fund Flat Rate S&A Account (VW 65 or VW 66).

(2) Construction S&A income, together with the actual expenses chargeable to S&A for a district/operating MSC are consolidated by the district/MSA in the appropriate S&A account. A district earns S&A income on the accrued value of work performed, and it can generally claim credit at the end of a month for amounts proportionate to the increases in placement of the underlying construction projects. Details on the accrual method of accounting can be found in EP 37-345-1 and ER 37-345-10. At the end of each month, the loss or gain in each of the accounts, i.e., the difference between the actual expenses incurred and the income, is transferred to or from the Corps central MILCON and O&M S&A accounts, currently maintained by Omaha District.

d. Authority to deviate from prescribed rates. For military projects, all construction S&A rates are established at HQUSACE in coordination with DOD. The established rates are based on the assumption that all eligible projects will be performed at that rate; therefore, MSC's are not authorized to negotiate separate rates for projects covered by flat rate accounts. Use of a lower S&A rate in order to maintain a current working estimate (CWE) within the programmed amount is not normally permitted. As a rare exception, minor deviations may be requested from HQUSACE, CEMP-CM.

3-4. **Military Projects not Subject to Uniform Flat Rate.** (See Table 3-3.) Some military projects are charged S&A at actual cost (see Chapter 4).

TABLE 3-1
Appropriations Subject to Military Construction (MILCON)
Flat Rate Procedures

(CERM publishes Treasury Department appropriation codes; AMPRS fund types are listed in EP 415-345-2, AMPRS Data Dictionary)

Title

Procurement, Defense Agencies	
Military Construction, Defense Agencies (e.g., Communications, Intelligence, Logistics, Mapping, Medical, Nuclear, Dependents Schools (DODDS), etc.)	
North Atlantic Treaty Organization Infrastructure, Defense Military Construction, Reserve Components General, Defense Military Construction, Troop Support Agency	
Base Closure Program, Other	
MILCON, Navy	Weapons Procurement, Navy
MILCON, Naval Reserve	Navy Stock Fund
Base Closure Program, Navy	
Procurement, Marine Corps	
Procurement of Aircraft and Missiles, Navy	
Aircraft Procurement, Navy	
Ship-Building and Conversion, Navy	
Navy Management Fund	
Military Construction, Army	Missile Procurement, Army
Base Closure Program, Army	
Procurement of Equipment and Missiles, Army	
Aircraft Procurement, Army	
Procurement of Weapons and Tracked Combat Vehicles, Army	
Procurement of Ammunition, Army	
Army Family Housing (Construction)	
Army Management Fund	
MILCON, Army Reserve	
Army Reserve Training Centers	
MILCON, Army National Guard	
Army National Guard Equipment	
MILCON, Air Force	Production Base Support
Base Closure Program, AF	Air Force Management Fund
MILCON, Air Force Reserve	
MILCON, Air National Guard	
Missile Procurement, AF	
Aircraft Procurement, AF	

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TABLE 3-2
Appropriations Subject to O&M Flat Rate S&A

(CERM publishes Treasury Department appropriation codes; AMPRS fund types are listed in EP 415-345-2, AMPRS Data Dictionary)

Rapid Response Program for Hazardous & Toxic Wastes
(NOTE: Projects in this program charge a 15%/10% flat rate. They are used for military installations (DERP), Civil Works and EPA Superfund; other civilian uses are possible, but first require approval by HQUSACE (CEMP-R). Missouri River Division, Engineering Division, can provide current information.)

Operations & Maintenance (O&M), Defense Agencies and Dependents Schools (DODDS)
Research, Development, Test & Evaluation (RDT&E), Defense Agencies: when used for O&M projects
O&M for Troop Support Agency
Defense Business Operations Fund (DBOF)
Real Property Maintenance, Defense (RPMD)

Base Closure Program environmental projects
Defense Environmental Restoration Program (DERP), DOD
DERP, Formerly Used Defense Sites
DERP, Army Installation Restoration
DERP, Air Force Installation Restoration

O&M, Marine Corps Reserve	O&M, Navy Reserve
O&M, Army National Guard	O&M, Air National Guard
O&M, Army Reserve	O&M, Air Force Reserve

O&M, Navy
O&M, Marine Corps
RDT&E, Navy
Other Procurement, Navy

O&M, ARMY	O&M, Air Force
Other Procurement, Army	Other Procurement, Air Force
RDT&E, Army	RDTE, Air Force
Family Housing O&M, Army	

NOTE: Defense Business Operations Fund has replaced Marine Corps, Navy, Army, and Air Force Industrial Funds

TABLE 3-3
Appropriations Not Subject to Uniform Flat Rate S&A
(The Following are not All-Inclusive)

(CERM publishes Treasury Department appropriation codes; AMPRS fund types are listed in EP 415-345-2, AMPRS Data Dictionary)

TITLE

Corps of Engineers Civil Works Activities: New Construction, Operations & Maintenance, Plant Replacement and Improvement Program (PRIP), Mississippi River and Tributaries, and Waterways Trust Fund

Military Construction for U.S. Forces OCONUS, when funded by Host Nation

Emergency/Wartime Mobilization Exercises

Disaster Recovery Operations

U.S. Soldiers' and Airmen's Homes

Cemetery Funds

National Security Agency

Foreign Military Sales and Assistance Programs

Foreign Government Construction & Engineering

Environmental Protection Agency projects and other "Support for Others" (exclude Rapid Response program)

Civil Defense Activities

Support of non-DOD federal agencies/activities, such as:

Department of Energy: Military and Civilian Projects

Department of the Interior, National Park Service

Federal Emergency Management Agency

Agency for International Development

National Aeronautics & Space

Administration Public Health Service

United States Information Agency

United Postal Service

Support of other Cabinet-level Departments

Support of other Governmental and non-Governmental activities, e.g., States, Municipalities, Commercial Firms, Individuals

Non-Appropriated Funds Activities