	DEPARTMENT OF THE ARMY U.S. Army Corps of Engineers	ER 37-1-30 Change 10
CERM-F	Washington, DC 20314-1000	

Regulation
No. 37-1-30 31 January 2012

Financial Administration
ACCOUNTING AND REPORTING

1. This is change 10 to Engineering Regulation 37-1-30, 30 September 2002:

a. Updates the Table of Contents;

b. Updates Chapter 2, Appendix A, Internal Management Control Review Checklist, Revolving Fund Operations;

c. Updates Chapter 4, Accounts Payable;

d. Updates the Table of Contents page for Chapter 11 and Chapter 12;

e. Updates Chapter 15, Accounting for Property, Plant and Equipment;

f. Updates Chapter 16, Revolving Fund Asset Accounting;

g. Adds Chapter 17, Accounting for Revolving Fund;

h. Updates the Table of Contents page for Chapter 19.

2. Substitute the pages as shown below:

Chapter	Remove page(s)	Insert page(s)
	i to ii	i to ii
2	2-A-1 to 2-A-15	2-A-1 to 2-A-16
4	4-i 4-1 to 4-8	4-i 4-1 to 4-9

Chapter	Remove page(s)	Insert page(s)
11	11-i	11-i
12	12-i	12-i
15	15-i to 15-ii 15-1 to 15-21	15-i to 15-ii 15-1 to 21
16	16-i 16-1 to 16-6	16-i 16-1 to 16-6 16-A-1 to 16-A-3
17	17-i	17-i 17-1 to 17-7
19	19-i	19-i

3. This change supersedes ER 37-2-10, Chapter 13, Revolving Fund Accounting for Warehousing Activities.

FOR THE COMMANDER:

DIONYSIOS ANNINOS
Colonel, Corps of Engineers
Chief of Staff

Chapter	Remove page(s)	Insert page(s)
11	11-i	11-i
12	12-i	12-i
15	15-i to 15-ii 15-1 to 15-21	15-i to 15-ii 15-1 to 21
16	16-i 16-1 to 16-6	16-i 16-1 to 16-6 16-A-1 to 16-A-3
17	17-i	17-i 17-1 to 17-7
19	19-i	19-i

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APPENDIX A

Internal Management Control Review Checklist
Revolving Fund Operations

FUNCTION. This checklist will be used at each U.S. Army Corps of Engineers (USACE) command where Revolving Fund, 96X4902, accounting functions are performed. The responsible principal and mandatory schedule for using the checklist will be shown in the annually updated Management Control Plan. The following designated responsible principals are assigned:

A. ORGANIZATION NAME:

B. ACTION OFFICER:

C. REVIEW OFFICER:

D. DATE COMPLETED:

PURPOSE. This checklist is to assist accountants in evaluating the key internal management controls over the Revolving Fund, including cash management requirements.

INSTRUCTIONS. Each test question must be marked ‘YES, NO, OR NA’ and include 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.

EVENT CYCLE 1: Cash Management

Maintain an adequate cash balance at all times to meet obligation and expenditure requirements.

Risk: Cash may not be available to meet expenses and/or an Anti-Deficiency violation could result from obligations exceeding budgetary authority.

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 month.

Test Questions:

1. Is RF cash (general ledger 1010) reconciled with the USACE Finance Center's constructed monthly cash reconciliation?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are procedures in effect to ensure that all RF rates (departmental overhead rate, General and Administrative (G&A) rate, plant rates, shop and facility services rates) are reviewed at least quarterly as required by ER 37-1-30?

Response: YES ____ NO ____ NA ____

Remarks:

3. Are centralized accounts and invoice clearing accounts distributed on a monthly basis?

Response: YES______NO_____NA_____

Remarks:

4. 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:

5. Are procedures in place to ensure that plant managers and facility managers process distributions to customers on no less than a monthly basis?

Response: YES ____ NO ____ NA ____

Remarks:

6. Are accountants reviewing the ENG 3021, Results from Operations report monthly to ensure that costs are billed timely?

Response: YES ____ NO ____ NA ____

Remarks:

7. Are accounts receivable over 30 days old reviewed, proper follow-up action conducted, and results documented?

Response: YES ____ NO ____ NA ____

Remarks:

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 Questions:

1. Are all plant, property, and equipment purchased through PRIP when they meet the PRIP investment threshold?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are 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:

3. Is the plant increment surcharge applied to all PRIP assets unless a waiver is approved by CERM-F and maintained in the asset folder?

Response: YES ____ NO ____ NA ____

Remarks:

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

Response: YES ____ NO ____ NA ____

Remarks:

5. Are Revolving Fund work items established in CEFMS prior to initiation of construction or procurement for acquisition of Revolving Fund assets?

Response: YES ____ NO ____ NA ____

Remarks:

6. Are procedures adequate to ensure that acquisitions are transferred to plant in service within 90 days of the completion date on the approved ENG Form 3013?

Response: YES ____ NO ____ NA ____

Remarks:

7. Is the proper recovery period established for each asset in accordance with ER 37-1-30, chapter 16, Appendix A?

Response: YES ____ NO ____ NA ____

Remarks:

8. Is the recovery period (a.k.a. useful life) reduced based upon evidence that the asset will not remain in service for the established period?

Response: YES ____ NO ____ NA ____

Remarks:

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

Response: YES____ NO____ NA____

Remarks:

10. Has the Finance and Accounting Office conducted quarterly joint reviews of each operating account with the asset manager to insure that rates are properly set and that account balances are reasonable and within allowable tolerances?

Response: YES____ NO____ NA____

Remarks:

11. Is the operating rate constructed to recoup the full cost to operate the asset and a reasonable allowance for anticipated repairs and maintenance costs?

Response: YES____ NO____ NA____

Remarks:

12. Is plant usage reviewed to ensure sufficient work/need for the asset?

Response: YES____ NO____ NA____

Remarks:

13. Is excess capacity offered to other customers in the region or across USACE?

Response: YES____ NO____ NA____

Remarks:

14. Is the borrowing command charged with the cost of operation when the asset is used by another USACE Command?

Response: YES____ NO____ NA____

Remarks:

15. Is excess plant and equipment offered for transfer to other Revolving Fund activities?

Response: YES____ NO____ NA____

Remarks:

16. Are book cost and accumulated depreciation recorded at both the losing and gaining command within the same accounting period when property is transferred under continuing Revolving Fund ownership?

Response: YES____ NO____ NA____

Remarks:

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

Response: YES____ NO____ NA____

Remarks:

18. Are claims against the insurance reserve for PRIP assets submitted to Headquarters Directorate of Resource Management (CERM-F) for approval?

Response: YES____ NO____ NA____

Remarks:

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 Revolving Fund 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 Questions (“*****” questions must be answered at the regional level, if the region is in a regional rate setting):

1. Are Government Contribution and Leave Liability accounts reviewed at least quarterly?*****

Response: YES ____ NO ____ NA ____

Remarks:

2. Are Government Contribution and Leave Liability accounts reconciled with the Civilian Pay Office Unpaid Accrued Leave Liability Report monthly?

Response: YES ____ NO ____ NA ____

Remarks:

3. Is personnel information updated in CEFMS prior to opening each bi-weekly pay period for entry of time and attendance data?

Response: YES ____ NO ____ NA ____

Remarks:

4. Is a Purchase Request and Commitment (PR&C) entered in CEFMS at the time a cash award notification of personnel action (NPA) is approved?

Response: YES ____ NO ____ NA ____

Remarks:

5. Is the leave liability reserve within 100% to 108% of the actual leave liability as of the end of the leave year? *****

Response: YES ____ NO ____ NA ____

Remarks:

6. Are overtime and compensatory time authorized on DA 5172-R or a tour of duty letter prior to performance of work, or immediately following work for emergencies?

Response: YES ____ NO ____ NA ____

Remarks:

7. Is the SF1166 from the DFAS Payroll Office recorded in CEFMS within five business days following the pay disbursement date, or IAW the schedule provided by the USACE Finance Center?

Response: YES ____ NO ____ NA ____

Remarks:

8. Is an employee's accrued leave transferred within 30 days of when the employee is transferred to another Corps command serviced by the Revolving Fund?

Response: YES ____ NO ____ NA ____

Remarks:

EVENT CYCLE 4: Function of Shop and Facility Accounts including Centralized Activities at the MSC or USACE level

Risk: Inaccurate distribution of operating expenses and income of shops, laboratories, garages, 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 37-1-30 for analyzing and reconciling accounting data.

Test Questions:

1. Are operating budgets prepared for each shop and facility account using the CEFMS operating budget module?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are the accounts analyzed at least quarterly and is action taken to adjust rates when needed?

Response: YES ____ NO ____ NA ____

Remarks:

3. Are predetermined rates used for distribution of laboratory operation (RF41)?

Response: YES ____ NO ____ NA ____

Remarks:

4. Are costs accrued monthly as required by ER 37-1-30?

Response: YES ____ NO ____ NA ____

Remarks:

5. Are shop and facility accounts distributed by the facility manager on a monthly basis?

Response: YES ____ NO ____ NA ____

Remarks:

6. Does the Finance and Accounting Office monitor shop and facility accounts monthly to ensure that costs are billed promptly and that the account balance is appropriate?

Response: YES ____ NO ____ NA ____

Remarks:

7. Do accounts meet the nominal balance requirement at the end of each quarter, both individually and collectively?

Response: YES ____ NO ____ NA ____

Remarks:

EVENT CYCLE 5: General & Administrative (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 distributed within the proper accounting period.

Objective: Ensure effective recording and reporting of the G&A and Departmental Overhead functions of the District.

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

Test Questions ("*" questions must be answered at the regional level, if the region is in a regional rate setting):

1. Are budgets prepared in the CEFMS operating budget module for the G&A, departmental and area office overhead accounts?

Response: YES ____ NO ____ NA ____

Remarks:

2. Are the G&A, departmental, and area office overhead 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 15-minute rule used to charge labor to projects and overhead accounts?

Response: YES ____ NO ____ NA ____

Remarks:

5. Is the G&A overhead and the 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 one percent (+/-1%) of current year expenditures? *

Response: YES ____ NO ____ NA ____

Remarks:

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

Response: YES ____ NO ____ NA ____

Remarks:

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 in the next fiscal year? *

Response: YES ____ NO ____ NA ____

Remarks:

9. Are standard indirect costs charged to the departmental overhead accounts as required by ER 37-1-30, Chapter 20?

Response: YES ____ NO ____ NA ____

Remarks:

CHAPTER 4

Accounts Payable

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CHAPTER 4

ACCOUNTS PAYABLE

4-1. References.

a. Statement of Federal Financial Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities.

b. Department of Defense Financial Management Regulation (DoDFMR) 7000.14-R.

c. Defense Finance and Accounting Service – Indianapolis (DFAS-IN) Regulation 37-1.

4-2. General.

a. Accounts payable are amounts owed by the U.S. Army Corps of Engineers (USACE) for goods and services received, progress in contract performance, and rents. This chapter provides accounting policy for recognizing accounts payable, including accruals. The guidance applies to accounts payable funded by civil or military appropriations, the U.S. Army Corps of Engineers (USACE) Revolving Fund and other reimbursable funds.

b. The U.S. Government Accountability Office (GAO) prescribes the accrual basis of accounting for all appropriations and funds. The Federal Accounting Standards Advisory Board (FASAB) establishes generally accepted accounting principles (GAAP) and reporting requirements for Federal entities.

c. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. Accrual accounting requires full disclosure of all changes in liabilities and expenses resulting from transactions or events that affect these items. Accrual accounting ensures that the accounting records portray an accurate and complete picture of revenues and expenses for a given accounting period and of the financial condition at the end of the period.

4-3. Policy for Accounts Payable.

a. Recording Accounts Payable. Record accounts payable upon receipt of services or acceptance of title to goods, whether delivered or in-transit. Support accounts payable with adequate evidence of the existence of the liability (e.g. purchase order or contract and proof of receipt). Enter receipt and acceptance of the goods or services in the financial management system within five workdays of receipt of the goods or services.

b. Prevalidation. Prevalidation is the process of matching the planned disbursement with a recorded obligation before disbursing the invoice payment. It ensures that the undisbursed balance of the obligation is sufficient to cover the amount of the planned disbursement. This process minimizes the occurrence of problem disbursements and Anti-Deficiency Act violations. All invoices are prevalidated, but the following thresholds apply to the Mechanization of Contract Administration Services (MOCAS) payments:

(1) Prevalidate all MOCAS payments on contracts awarded after FY2004.

(2) Prevalidate MOCAS contract payments over $5,000 that were issued before and during FY2004.

c. Unfunded Liabilities.

(1) Record accounts payable regardless of funds availability. Accrue accounts payable not covered by budgetary resources as an unfunded liability in the USACE Revolving Fund until the actual source of funding is determined. USACE reports unfunded liabilities in the footnotes to the Consolidated Balance Sheet.

(2) Report unfunded contractor earnings performed in accordance with the Civil Works Continuing Contracts clauses as unfunded liabilities. The amount accrued includes the interest on unfunded earnings as determined by the contracting officer.

d. Judgment Fund. The U.S. Treasury uses the Judgment Fund for payment of certain judicially and administratively ordered monetary awards against the U.S. Government, including Department of Justice compromise settlements. Federal agencies must reimburse the Treasury for payments made on their behalf from the Judgment Fund.

(1) Claims for Contract Disputes (Treasury Symbol 20X1743). As directed by 31 USC 1304 and 41 USC 612, the U.S. Treasury uses the Judgment Fund to pay for monetary judgments awarded under the Contracts Disputes Act of 1978 (CDA), as amended, by the Armed Services Board of Contract Appeals (ASBCA) or the Court of Federal Claims. The affected Department of Defense (DoD) component will reimburse the Judgment Fund for any payment made on its behalf. Judgment Fund debt should be reimbursed using funds current at the time of the judgment and from the same appropriation cited on the original contract.

(a) Military claims or settlements. USACE activities will bill the customer for the Judgment Fund bill amount plus Supervision & Administration (S&A). DoDFMR Volume 10, Chapter 12, and DoDFMR Volume 3, Chapter 8, provide DoD guidance concerning Judgment Fund payments.

(b) Civil Works claims. Forward claims to CERM-F.

(2) Notification and Federal Employee Antidiscrimination Retaliation (NO FEAR) Act, Public Law 107-174. Agencies must reimburse the Judgment Fund for payments made on their behalf for violations or alleged violations of Federal anti-discrimination laws, whistle-blower protection laws, and/or retaliation claims arising from the assertion of rights under those laws. Agencies must reimburse Treasury within 45 days of notification.

(a) Military Activities. Military activities must reimburse the Judgment Fund for No Fear Act claims using the direct appropriation that funded the claimant’s position. If funds are not available, submit an unfunded requirement to HQUSACE and record an unfunded liability in the financial management system.

(b) Civil Works Activities. Reimburse the Judgment Fund for No Fear Act claims from the appropriate overhead account for the claimant's assigned organization.

(c) Headquarters USACE and Major Subordinate Commands (MSC). Use the appropriate Executive Direction and Management (ED&M) account for claimants assigned to HQUSACE or a MSC.

(d) Out of Court Settlements. USACE activities pay settlements reached between the two parties directly to the claimant. Guidance concerning timeframes and funding sources are as specified above.

e. Intra-governmental Transactions. Report amounts owed for goods and services received from Federal agencies separately from amounts owed to the public. DoD FMR, Volume 6B, Chapter 13, requires all DoD components to reconcile intra-governmental transactions when compiling the Chief Financial Officer (CFO) financial statements. USACE is a waived entity, which means that DoD grants USACE the authority to provide accounts payable and expense information to other DoD entities. As a waived entity, trading partners must automatically accept USACE accounts payable and expenditure data as accounts receivables and revenues in their financial statements. All activities must place emphasis on the validity of expenditure data to ensure proper financial reporting by USACE and other DoD agencies.

f. Prompt Payment Act (PPA) Interest Payments, PL 97-177.

(1) Federal agencies, including non-appropriated activities, will:

-pay their bills on time,
-pay interest penalties when payments are late,
-take discounts only when payments are within the discount period.

(2) Agencies will make payments thirty calendar days after receipt of a proper invoice or thirty calendar days from acceptance of the goods or services, whichever is later, if the contract does not specify a date.

(3) Fund interest penalties with the same program, project, activity, or revolving fund account cited on the contractual document.

(4) Charge PPA interest penalties resulting from late payments citing non-Corps reimbursable funds to the responsible activity’s overhead account when all of the following conditions apply:

-there are insufficient funds on the reimbursable order to pay the interest penalty,
-the late payment will be the final charge against the reimbursable order, and
-the interest penalty does not exceed $100.

(5) Charge interest expense related to procurement of civil or military assets citing expense-type work items to project funds; capitalize interest penalties in the cost of the asset. Charge interest expense related to procurement of Revolving Fund assets to the appropriate departmental, G&A, or shop & facility work item.

(6) DFAS-IN Regulation 37-1, Chapter 8 and Appendix E, Desk Reference Guide for Prompt Payment Act provide additional guidance on PPA and interest penalties.

g. Prompt Payment Act Discounts. Record accounts payable amounts net of vendor discounts.

(1) When a cash discount is offered for prompt payment, process invoice payments within the discount period when economically justified. A discount offer documented on the vendor’s invoice is the authorization for a discount deduction if earned. The discount most advantageous to the Government is taken if the terms of the contract or purchase order are not in agreement with the discount offered on the vendor’s invoice.

(2) The discount period used for computing the allowable discount amount is based on the receipt of a proper invoice when an invoice is required by the contract. The discount period begins on the invoice date placed on a proper invoice by the vendor. The discount period start date used when the vendor

does not date the invoice is the receipt date annotated on a proper invoice by the designated billing office.

(3) Use normal payment terms on invoices that cannot be paid within the discount period.

(4) DoDFMR Volume 10, Chapter 2, provides additional guidance.

h. Reviewing Accounts Payable Balances.

(1) Funds are allotted to Commanders. The supporting accounting office must conduct a joint review with originating offices of commitments, obligations, accounts payable, and accounts receivable to determine timeliness, accuracy, and completeness of unliquidated obligation data. Conduct reviews during each of the four-month periods ending on January 31, April 30, and August 31 of each fiscal year. The purpose of the accounts payable review is to ensure that all known payables are recorded and that the amounts reported are correct and in agreement with subsidiary records. The Joint Review Program (JRP) requirements apply to all appropriations and funds, to include reimbursable funds, trust funds, and the USACE Revolving Fund. Offices must maintain all supporting documentation for a period of 24 months following the review for audit purposes.

(2) DA and USACE publish annual goals for the JRP. Review accounts payable in each of the JRP phases using the same criteria (appropriation status, dollar amounts, aging, etc.) as established for reviewing commitments and obligations.

(3) Confirmation statements. Commanders must certify that the Joint Review has been conducted in accordance with DoD and DA guidance; certification authority may be re-delegated to the Resource Management Officer. Submit confirmation statements in the Corps of Engineers Financial Management System (CEFMS), in accordance with established due dates, for submission to DA. Exception reports are required if fund holders are unable to complete the required review or confirm the accuracy of data. Activities must provide CERM-F with a full explanation of the

issues and corrective actions taken for reporting to Department of Army (DA).

(4) DoDFMR Volume 3, Chapter 8, DoDFMR Volume 4, Chapter 9, and DFAS IN 37-1, Chapter 27 provide additional guidance on JRP requirements.

4-4. Policy for Recording Estimated Accounts Payable (Accruals).

a. General. Enter estimated accounts payable to the end of an accounting period when goods or services are received but exact amounts are not known. Record accruals only when the event in question has actually occurred (or is projected to occur) by the end of the accounting period. Maintain appropriate source documentation for each accrual entered for audit purposes. Do not enter an accrual when a receiving report is more appropriate.

b. Amount. The amount accrued is a reflection of the actual work performed and the liability incurred. Best estimates may be used but avoid arbitrary pro-rations. An estimated amount should fall within a 10 percent variance of the actual cost and be based on inspections, evaluations or a reasonable basis of calculation (i.e., number of days worked times daily rate, number of units serviced, etc.). Do not use accruals to misrepresent program execution.

c. Documentation. Reasonable documentation is all documentation that would allow another reasonably knowledgeable individual to come to the same logical conclusion. Individuals who enter accruals must maintain audit documentation for all accruals for one year after disbursement or one year after accrual reversal. An accrual support form must be completed and maintained for accruals greater than $3,000. In addition, the Resource Management Office must review and approve the supporting documentation for all accruals of $100,000 and greater. The CEFMS generated Accrual Support Form for accruals over $3000 must be printed and included in the supporting documentation package. Acceptable documentation includes:

(1) Executed bills of lading, issue and turn-in slips, job sheets, or other documents that prove constructive delivery, work performed, services rendered, or material received;

(2) Progress payment requests from a vendor or contractor that will not be disbursed prior to the end of the month. Email and other correspondence from contractors are acceptable;

(3) Obligation documents for services performed where the accrued expenditure and obligation are recorded simultaneously (examples: in-house labor, facility services, etc.);

(4) Advance bill, cost report, or similar documentation from the performing activity for reimbursable work;

(5) Contractor work schedule or time records that show estimated labor hours of work completed;

(6) Employee timesheets.

d. Timing. Record accruals monthly for contractor earnings, intra-governmental activities, and hired labor.

e. Contract Earnings. Record accrued expenditures for performance (including retained earnings) to the end of each calendar month for construction contracts, major supply contracts (e.g., turbines, generators, transformers, fabricated steel), equipment rental contracts, and Architect-Engineer (AE) contracts for design services. Use engineering estimates and management evaluation of actual performance to determine amounts for accrued contract earnings.

f. Intra-governmental activities. Record accrued expenditures for government orders placed with other Corps of Engineers activities and all other Federal activities monthly.

g. Hired Labor. Accrue labor costs (including overtime) to the end of every calendar month using early labor cost cutoff procedures.

h. Reversal. Reverse accruals when the receiving report or invoice is recorded or when the accrual is determined to be invalid. The accrual originator must add an explanation to the support form if the actual amount billed and disbursed is less than 70% of the original amount accrued.

(1) Receiving offices are responsible for reversing accruals at the time the receiving report or contract pay estimate is entered for all payments involving contractual obligations.

(2) The originating office/activity is responsible for reversing any accrual if it is subsequently determined to be invalid.

(3) The USACE Finance Center (UFC) automatically reverses accruals in order to record intra-governmental invoices received. This process facilitates timely payment and collection of government billings. Supported activities will accept the requests from the UFC for the required permissions in the financial management system.

i. Review of Accrual Documents. The Resource Management Office will perform a monthly review to ensure that each accrual over 90 days old is valid and properly supported by appropriate documentation. The accrual originator must provide justification as to why the accrual remains open for more than 90 days. Normally, accruals are reversed and actual costs recorded in the month following the initial recording of the accrual. Resource Management must maintain all documentation supplied by the originator for audit purposes.

4-5. Accounts Payable Procedures. Proper procedures for accounts payable and accruals are available on the CERM-F Share Point website and in the CEFMS Users Manual for Expenditures and Accounts Payable.

Chapter 11

RESERVED FOR FUTURE USE

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RESERVED FOR FUTURE USE

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ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT

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CHAPTER 15

Accounting for Property, Plant and Equipment

15-1. General. This chapter defines USACE accounting policies and requirements for property, plant and equipment (PP&E) funded by civil works or military appropriations. This chapter should be used in conjunction with the following references:

a. Statement of Federal Financial Accounting Standards (SFFAS) No. 6: Accounting for Property, Plant and Equipment.

b. DoD Financial Management Regulation 7000.14-R, Volume 4, Chapter 6, Property, Plant, and Equipment.

c. ER 37-1-29, Financial Management of Capital Investments.

d. ER 37-1-30, Chapter 14, Accounting Treatment for Multiple-Purpose Projects.

e. ER 37-1-30, Chapter 16, Revolving Fund Asset Accounting.

f. Memorandum of Agreement dated 9 Jun 2004, Support for Recorded Book Cost of General Property, Plant and Equipment Assets, U.S. Army Corps of Engineers, Civil Works.

15-2. Asset Criteria.

a. Capital assets are tangible and intangible resources used directly or indirectly in the execution of USACE mission requirements. Assets must have an expected useful life of two or more years and an acquisition cost that meets or exceeds the capitalization thresholds in Appendix A. Assets are acquired or constructed with the intention of being used or available for use in executing USACE missions and are not intended for sale in the ordinary course of operations.

b. Two categories of PP&E are defined for accounting and reporting purposes in USACE:

(1) General PP&E. This category includes land (other than stewardship land), land rights, buildings and other structures, leasehold improvements, equipment, internal use

software, assets under capital lease, property in possession of others, and construction in progress (CIP).

(2) Stewardship PP&E. Stewardship PP&E consists of heritage assets and stewardship land.

(a) Heritage Assets. Heritage assets are unique PP&E of historical, natural, cultural, educational, artistic or architectural significance and are expected to be preserved indefinitely. The cost of acquiring heritage assets is typically expensed in the period incurred. However, when a heritage asset serves both a heritage function and a government operations function, the asset shall be classified as a multi-use heritage asset. The cost to acquire, renovate, improve or reconstruct multi-use assets to facilitate government operations is included in general PP&E.

(b) Stewardship Land. Land and land rights not acquired for, or in connection with, general PP&E is classified as stewardship land and expensed in the period incurred.

c. Bulk purchases of assets are capitalized when the cost of an individual item meets the capitalization threshold. If the per item cost does not meet the capitalization threshold, the cost is expensed in the period incurred, unless the items are components of a larger asset.

d. Additions and betterments are improvements and upgrades that increase the size, capacity or operating efficiency of an existing asset or extend the service life of the asset. Additions and betterments are capitalized if the cost is equal to or greater than the applicable capitalization threshold.

e. Maintenance and repair costs are not capital improvements and are expensed in the period incurred, regardless of whether the cost equals or exceeds the capitalization threshold. Maintenance is the work required to preserve and maintain the asset to be effectively used for its designated function. However, when repairing an asset, the components of the asset may be repaired by replacement; replacement may involve upgrades to current standards and codes. The determination as to whether a replacement is a repair or an improvement is based on the purpose of the replacement. The replacement is expensed if the asset has failed, is in initial stages of failure, or is no longer performing the functions for which it was acquired. Replacement undertaken to improve or expand the efficiency of an asset that was in good working order is considered an improvement. Repair by replacement does not include rebuilding entire structures within the same physical footprint.

f. Costs incurred that do not contribute to the creation of an asset are expensed. The following activities are always expensed:

(1) Late payment interest penalties;

(2) Operation and maintenance costs;

(3) Research and development costs, reconnaissance studies, and feasibility studies that do not result in creation of an asset;

(4) Construction activities that do not result in the creation of an asset, including excavation and dredging of channels, harbors or ports in existing waterways; removal of trees, brush, snags, drift, debris, and aquatic growth; engineering and design, supervision and administration and other support costs related to expense type activities; Section 202 nonstructural projects and special project reports;

(5) Construction projects financed partially by a local entity are expensed when USACE will not ultimately hold title to the asset;

(6) Bank stabilization structures, including revetments, linings, training dikes and bulkheads for stabilization of banks and watercourse to prevent erosion, sloughing, or meandering which are not considered part of the initial costs of a larger asset;

(7) Periodic payments for land rights;

(8) Beach nourishment costs;

(9) Fish and wildlife mitigation studies; however, capitalization guidance issued by the Bonneville Power Administration (BPA) will be followed for projects under BPA authority;

(10) Cultural resource costs not associated with creation of a new asset.

(11) Military construction activities that do not result in creation of an asset owned by the United States

government are expensed, to include related costs for Planning and Design (P&D), and Supervision and Administration (S&A).

(12) For PRIP assets, costs of concept exploration and definition, basic research or study, exploratory development, and establishment of feasibility and practicality of proposed solutions are expensed.

15-3. Supporting Documentation. Asset general ledger accounts shall be supported by source documents that reflect all transactions related to the activity's investment in PP&E. This requirement applies to all assets, regardless of funding source. A file containing documentation to support the placed-in-service date, the useful life, ownership rights, and the acquisition cost, to include installation and other related costs and improvements, shall be maintained for each capital asset. A sheet will be placed in the front of each file that summarizes the book costs of the asset in a way that allows a reviewer to trace the costs of individual components or asset unique identifiers to source documents in the file.

a. Files containing original documents and/or hard and electronic copies of original documentation shall be maintained centrally in a readily available location during the retention period to permit validation of asset information. Alternative forms of supporting documentation for costs prior to implementation of the Corps of Engineers Financial Management System (CEFMS) may be used only as described in reference 15-1.f.

b. Documentation supporting personal property assets will be maintained for a minimum of six years and three months after retirement or disposal of the asset. Records disposal guidance is available at the following website: www.archives.gov/records-mgmt/ardor/grs03.html

c. Real property asset managers will maintain all applicable documentation for ten years after disposal. Records disposal guidance is found at the link shown above.

d. Marine Design Center (MDC) will maintain supporting documentation for assets constructed or acquired by MDC. Owning activities will request copies of the documentation, as needed, to support audit requirements; documentation will be provided in a timely manner.

e. For any asset not fully supported, a memorandum identifying missing documentation and explaining the reason the documentation is not available shall be signed by Resource

Management personnel and maintained in the asset file. The information presented shall reconcile to the total acquisition cost recorded in the financial management system and asset history information included in the file.

f. When required to use the fair value of an asset in an accounting transaction, a copy of the fair value assessment and description of the methodology used, signed by the determining activity, will be placed in the asset file.

g. Documentation Required for Land.

(1) Land placed in service prior to 1 Oct 1998 shall be supported by the COEMIS/CEFMS conversion spreadsheet, which reconciles to the COEMIS general ledgers or actual real estate records.

(2) Land placed in service on or after 1 Oct 1998 shall be supported by the following:

(a) A copy of the contract with invoices or final ENG Form 93 signed by the contractor, project manager and contracting officer representative (COR);

(b) Credit card statements with highlighted cost or actual vendor receipts;

(c) Detail cost ledger for in-house costs and travel costs;

(d) Labor cost detail report;

(e) A copy of each government order and acceptance and a copy of all billings, a list of billings, or Intra-Governmental Payment and Collection (IPAC) transactions.

h. Documentation Required for Buildings and Structures.

(1) Buildings, structures and facilities placed in service after 1 Oct 1998 will be supported by the following documentation:

(a) A copy of the contract with invoices or final ENG Form 93 signed by the contractor, project manager and COR;

(b) Credit card statements with highlighted cost or actual vendor receipts;

(c) Detail cost ledger for in-house costs and travel costs;

(d) Labor cost detail report;

(e) A copy of each government order and the acceptance and a copy of all billings, a list of billings, or IPAC transactions;

(f) If any of the above is not available, the asset will be supported by a CEFMS cost ledger and an internal engineer attestation and explanation as to why the support is unavailable.

(2) Assets placed in service prior to implementation of CEFMS will be supported by a COEMIS/CEFMS conversion spreadsheet that reconciles to the COEMIS general ledger.

(3) Assets placed in service after CEFMS conversion but prior to 1 Oct 1998 will be supported by documentation in paragraph (2) above for the pre-CEFMS portion of the asset value and documentation in paragraph (1) for the post-CEFMS portion.

(4) The date of completion shown on ENG Form 3013 shall correspond with the placed-in-service date in the financial management system; the date may be supported by any of the following:

(a) Invoices, shipping documents, and receiving reports;

(b) Date of COEMIS/CEFMS conversion spreadsheet.

i. Documentation Required for Equipment/Personal Property.

(1) For equipment (also known as personal property) placed in service after 30 September 2002, the asset file shall include the following:

(a) Copy of each procurement contract and invoices or ENG Form 93;

(b) Detailed cost ledger for in-house costs and travel costs;

(c) Labor cost detail report;

(d) Government orders and a copy of all billings, a list of billings or IPAC transactions.

(2) For personal property placed in service on or prior to 30 September 2002, the asset file shall include the documentation specified above or an internal equipment valuation form. The valuation form shall identify the rationale or method used to support the value of the asset and shall be maintained. Suggested methods include:

(a) Comparison to cost of like assets;

(b) Comparison to industry price lists;

(c) Documentation in budgetary guidance or Plant Replacement and Improvement Program requests;

(d) Internal engineering cost estimates, with rationale;

(e) COEMIS/CEFMS conversion spreadsheet, supported by COEMIS general ledgers.

(3) The placed-in-service date entered in the financial management system may be supported using any of the following:

(a) The receiving report for the asset;

(b) An internal memorandum supporting the actual date the asset was available for its intended use;

(c) For assets placed in service on or prior to 30 September 2002 for which either of the above documents is not available, the internal valuation form may be used to support the placed-in-service date.

j. The following documentation will be added to the asset file upon disposal, as appropriate:

(1) Declaration of excess or report of survey documentation and approvals;

(2) Document showing the disposal start date;

(3) Legal instruments, such as the transfer of deed or sales contract;

(4) Physical transfer documents for the asset;

(5) Completed ENG Form 3013 authorizing retirement and disposal of the asset.

15-4. Accounting Policy for General PP&E.

a. Capitalization Basis.

(1) Assets are recorded at full cost. Full cost includes all costs incurred to bring the asset to a form and location suitable for its intended use. Full cost includes amounts paid to vendors, contractors, and/or former landowners, transportation charges to the point of initial use; shipping and/or delivery charges; handling and storage costs; labor and other direct or indirect costs; engineering, architectural, and other outside services for designs, plans, specifications, and surveys; acquisition and preparation costs of buildings and other facilities; equipment and facilities used in construction; fixed equipment and related installation costs required for activities in a building or facility; direct costs of inspection, supervision, and administration of construction contracts and construction work; legal and recording fees and damage claims; fair value of land, facilities and equipment donated to the government.

(2) Assets are recognized for accounting and reporting in USACE financial statements when the asset is delivered to the entity or an agent of the entity. For tangible assets, delivery or constructive delivery is based on the terms of the contract regarding shipping and/or delivery. Assets acquired under the terms of “Free On Board (FOB) Destination” are recognized upon delivery to the ordering entity. Assets acquired under the terms of “FOB Shipping Point” are recognized upon constructive delivery to the shipping agent.

(3) If documentation to support the asset’s cost is not available, an engineering estimate shall be made based on the cost of similar assets at the time of acquisition or the current cost of similar assets discounted for inflation since the time of acquisition. Documentation of the estimate and the rationale used will be maintained in the asset file.

b. Land.

(1) All land is capitalized regardless of cost. The capitalized cost of land includes the purchase price, broker’s commissions, fees for examining and recording the title and surveying, and any razing or removal costs (less salvage proceeds) of structures on the land. The cost of land also includes leveling or otherwise permanently changing the contour of the land. Land is regarded for accounting purposes as a non-wasting asset and is not subject to depreciation.

(2) Donated land tracts are recorded at fair market value.

(3) The cost to construct reservoirs and relocate roads, railroads, bridges and utilities is classified and accounted for as land.

(4) The cost of cultural resource surveys associated with site preparation for construction of buildings or structures is capitalized and accounted for as land for non-hydropower projects, and as a land improvement for hydropower projects.

c. Land Rights.

(1) Land rights of unlimited duration acquired for or in connection with general PP&E are recorded in the Land account.

(2) Land rights of limited duration associated with general operations are recorded as Improvements to Land and amortized over the useful life of the asset. Limited term land rights are removed from the asset account upon expiration.

d. Buildings, Other Structures, and Facilities.

(1) The capitalized cost of buildings includes all costs to purchase or construct the building and the cost of placing the asset in the form intended for use. Structures and facilities are defined as improvements to land not otherwise classified as buildings. Examples include, but are not limited to, fences, roads, bridges, utilities, rail lines, and fuel storage facilities.

(2) Improvements to buildings, structures, and facilities are capitalized when such costs meet or exceed the applicable capitalization threshold and other addition and betterment capitalization criteria are met.

(3) The cost of channels and canals related to a lock or dam is capitalized as part of the lock or dam structures. Stand alone (concrete laden) channels and canals are capitalized separately.

(4) Buildings and other structures provided to non-Federal entities under non-monetary or nominal lease agreements shall be appropriately valued and accounted for as either an operating outlease or donation. Typically, these assets are leased for use as a public park, recreation area, and/or fish and wildlife management area. Lease agreements will include a

listing of transferred assets and terms of transfer. Resource Management personnel shall review the terms of such agreements in order to determine the appropriate accounting treatment for the assets. Each asset is tested on an individual basis:

(a) An asset leased for 75% or more of its estimated economic life is accounted for as a donation and removed from the asset account; this requirement does not apply if the beginning of the lease term falls within the last 25% of the total estimated economic life of the property;

(b) An asset leased for less than 75% of its useful life is classified as an operating lease and remains in the asset accounts until fully depreciated;

(c) Land provided under lease agreements does not require an adjusting entry as described above, as land is not depreciated.

e. Assets Acquired Under Capital Lease. The cost of an asset acquired under a capital lease agreement is the present value of the rental property or lease payments over the lease term, excluding payments for insurance, maintenance and taxes paid to the lessor. If the present value exceeds the fair value of the leased property at the inception of the lease, the amount recorded shall be the fair value.

f. Leasehold Improvements. Leasehold improvements are improvements to leased property which exceed the applicable capitalization threshold. Leasehold improvements are capitalized and amortized for the remainder of the lease period or 20 years, whichever is less.

g. Internal Use Software. ER 37-1-29, Appendix G, contains USACE policy on investments in internal use software.

(1) Internal use software includes software purchased from commercial off-the-shelf (COTS) vendors for use with little or no change; software developed or modified for use by USACE employees; software developed by contractors paid to design, program, install, and implement new or existing software; and software to support business related systems, such as acquisition, finance, logistics, or human resource applications.

(2) Internal use software is capitalized if it has a useful life of two years or more and meets or exceeds the applicable capitalization thresholds for general PP&E.

(3) The cost basis for capitalized internal use software is determined as follows:

(a) COTS Software. The capitalized cost of COTS software shall be the actual purchase price plus any costs incurred for implementation.

(b) Contractor Developed Software. The capitalized basis of contractor-developed software includes the amount paid to the contractor to design, program, install, and implement new software or to modify existing or COTS software, plus any costs incurred for implementation.

(c) Internally Developed Software. The capitalized basis includes all direct and indirect costs incurred during the software development phase, including preparation of technical documentation and manuals and training development. Costs incurred during the preliminary design phase and the post-implementation or operational phases are expensed. Costs of the program management office incurred during each phase of software development or acquisition are expensed or capitalized depending on (1) their materiality to the overall cost of individual software development projects and (2) the phase in which the costs were incurred.

(d) Software Developed By One Activity and Used by Others. Such costs will be capitalized by the developing activity, provided it meets capitalization criteria. The cost of the software shall not be allocated to using activities.

(4) Data Conversion Costs. All data conversion costs incurred for internally developed, contractor developed, or COTS software shall be expensed as incurred, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Conversion costs include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new or additional data.

(5) Costs Incurred After Final Acceptance Testing. Costs incurred after final acceptance testing has been successfully completed are expensed. Acceptance testing is testing conducted to verify that the software meets specifications.

(6) Integrated (Embedded) Software. Software that is embedded and necessary to operate equipment rather than perform an application shall be considered part of the equipment. The

aggregate cost of the hardware and software is used to determine whether to capitalize the asset.

(7) Enhancements. An enhancement is capitalized when both the useful life and capitalization threshold criteria are met and the enhancement provides a significant increase in functionality that is visible to the user. Enhancements normally require new software specifications and may require a change of all or part of the existing software specifications as well. An upgrade is not necessarily a capital improvement. If the upgrade modernizes an operating system, it is normally expensed as the user does not see a significant increase in functionality. Costs for routine or minor changes or modernization are expensed in the period incurred, as well as costs to repair a design flaw or perform minor upgrades that may extend the useful life of the software without adding new capabilities. The cost to acquire enhanced versions of software for a nominal charge is also expensed.

h. Construction in Progress (CIP).

(1) The cost to construct or acquire an asset shall be recorded in the Construction in Progress (CIP) general ledger until the asset is completed and available for use, whether or not actually placed in use at that time. When complete and available for use, as signified by the completion date on the approved ENG Form 3013, balances in the CIP account are transferred to the appropriate PP&E general ledger. Transfers of constructed assets from CIP to other DoD components or Federal agencies are addressed in paragraph 15-14.

(2) If during the acquisition/construction phase it is determined that the cost will not exceed the capitalization threshold and the item is not a separable element of a larger asset, the costs will be expensed in the period the determination is made.

(3) Project Management personnel are responsible for verifying the cost in the CIP account and are required to process ENG Form 3013 promptly upon physical completion in order to initiate transfers to asset general ledger accounts. All assets must be placed in service within 90 days of the completion date on the approved ENG Form 3013.

(4) CIP files shall be maintained to document and support the value of every CIP project. Each file shall be reviewed and updated on no less than a bi-annual basis to ensure readiness for audit.

(5) Project Level CIP Review.

(a) Project Management and Resource Management personnel will jointly review the balance of each CIP project to verify that the cost is part of an active, on-going project and is not a part of any asset previously placed in service. The purpose of the review is also to verify that the work item hierarchy is properly established and that expense type costs are not incorrectly classified as CIP. Issues involving impairment of assets will also be identified. Corrections or adjustments required as a result of the review will be processed in the current accounting period.

(b) Projects with a scheduled completion date in the current fiscal year or next fiscal year will be reviewed on a quarterly basis. Projects with a scheduled completion date beyond this timeframe will be reviewed on an annual basis. A Memorandum for Record (MFR) will be maintained to document the review; requirements are shown in paragraph 15-18.

i. Found on Works. Assets found on works shall be recorded based upon an engineering determination of the estimated value in the present condition. The placed-in-service date shall be the date found and the service life shall be established based upon the estimated remaining useful life. Depreciation charges will begin in the next accounting month.

j. Trade-Ins/Exchanged PP&E. The cost to be recorded for a General PP&E asset acquired from a nonfederal entity when trading in another General PP&E asset shall be equal to the sum of the fair value of the asset traded plus any cash paid or liabilities incurred for the new asset. Any difference between the net recorded amount of the PP&E surrendered and the PP&E acquired shall be recognized as a gain or loss. Assets exchanged with another DoD Component or federal agency shall be accounted for as a transfer.

k. Donated Property. The cost to be recorded for General PP&E acquired through donation, execution of a will or judicial process, excluding forfeitures, shall be its estimated fair value at the time acquired.

15-5. Transfers to Plant in Service.

a. A completed asset shall be transferred from the CIP general ledger to the asset general ledger within 90 days of the completion date on the approved ENG Form 3013. Assets shall be placed in service regardless of whether all contracts associated with the asset/project have been closed out or final payment processed.

b. For construction projects completed in multiple phases, the cost of each phase is transferred from the CIP account to the real property asset at the time the phase is placed in service if the phase is fully operational and meeting its intended purpose.

c. Additional cost incurred after the placed-in-service date shall be transferred from CIP to the asset account within 90 days of completion. The acquisition cost of the asset shall be adjusted and the revised amount depreciated or amortized over the remaining useful life of the asset.

15-6. Depreciation. Depreciation is the systematic and rational allocation of the cost of a physical asset, less any salvage value, over its useful life.

a. PP&E is depreciated using the straight-line method of depreciation, with the exception of land and land rights of unlimited duration which are not depreciated. Land rights acquired for a specified period of time shall be amortized over that time period.

b. Depreciation is charged on a monthly basis. Depreciation will begin to accrue from the first day of the month nearest the date of acquisition or completion of construction of structures or operating equipment.

c. Costs which either extend the useful life of an existing asset or enlarge or improve its capacity shall be capitalized and depreciated over the remaining useful life of the asset.

d. Changes in estimated useful life or salvage value shall be treated prospectively. No adjustments shall be made to previously recorded depreciation or amortization.

15-7. Establishment of Service Lives.

a. Specific recovery periods are prescribed for purposes of computing depreciation on General PP&E assets. Maximum recovery periods for Corps-unique assets are shown in Appendix B. All remaining assets will use the standard DoD recovery periods in DoDFMR Volume 4, Chapter 6.

b. The service life of an asset may be reduced based upon a determination that the asset will not be serviceable for the established useful life. Conditions supporting a change in the useful life include, but are not limited to, obsolescence, technological advances, or replacement prior to full utilization of current useful life. An assessment of the conditions and rationale for reducing the service life shall be included in the asset file.

c. If the asset remains in use longer than its estimated useful life, it shall be retained in the property accountability and the accounting records, reflecting both its recorded cost and accumulated depreciation until disposal of the asset.

15-8. Placed-in-Service Dates. The event that triggers the calculation of depreciation is the completion date on the approved ENG Form 3013.

a. Personal property assets shall be placed in service within 90 days of actual or constructive receipt.

b. Real property assets shall be placed in service within 90 days after a determination is made that the asset meets its intended purpose.

c. ENG Form 3013 (Work Order/Completion Report) is used to support the date an asset is complete and available for use and for transferring costs from CIP to the asset general ledger account. The completion date on ENG Form 3013 will represent the date an asset is available for service and will correspond with the official placed-in-service date recorded in the financial management system.

15-9. Salvage Value. Salvage value is the residual or scrap value expected to be obtained from selling the asset at the end of its useful life. For purposes of computing depreciation, real property assets (buildings, structures, and facilities) shall use a salvage value of zero. Salvage values for other types of assets may be established when such proceeds are permitted to be retained by USACE and the salvage value is expected to exceed ten percent of the cost of the asset. Salvage values shall not be established for assets owned by the Revolving Fund (ER 37-1-29).

15-10. Mothball Status. Assets temporarily removed from service, with the expectation that such assets will eventually be returned to service, shall continue to be depreciated during the period of non-use. USACE policy regarding discontinuance of depreciation and plant increment for mothballed plant acquired under the PRIP program is in ER 37-1-30, Chapter 16; HQUSACE approval is required.

15-11. Physical Inventories. Physical inventories of assets shall be conducted to ensure that PP&E is at the location identified in the property accountability system, is as described and in the condition described in the property records. Physical inventories shall be performed by individuals who are not custodians of the assets. Results of the physical inventories shall be reconciled to asset financial records. Adjustments will be processed for any unrecorded physical changes such as removals, additions, or modification of the PP&E not previously recorded. Adjustments will also be recorded based upon a determination that the asset is impaired, unused, abandoned or replaced. All adjustments will be processed within 30 days following the date of physical inventory.

a. General PP&E personal property shall be inventoried at least annually.

b. General PP&E real property, to include land, shall be inventoried at least every three years.

15-12. Impairment. Impairment is the condition that exists when the net book value of a long-lived asset (or asset group) exceeds its fair value. An impairment loss is only recognized when the carrying amount of the impaired asset (or asset group) is not recoverable. Impairment results in an adjustment to the book value of the asset, rather than to the useful life of the asset; however, the asset life should be evaluated in the process of determining an impairment loss and may be changed for future periods if appropriate. An impairment loss is recognized in the period that the asset is determined to be impaired. Requests for authority to recognize an impairment loss should be forwarded to CERM-F for approval. Documentation to support the fair value assessment will be maintained in the asset file. Examples of impairment are as follows:

a. Assets located at a recreation park or similar facility that is closed with no anticipated timetable for re-opening shall be retired from general PP&E.

b. Adjustments to buildings, structures, or other assets may be required if physical inventories or inspections result in a determination that the value of the asset is significantly overstated.

c. Conditions exist which indicate that a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of the previously estimated useful life.

d. Internal use software is no longer expected to provide substantive service and will be removed from service, or a significant reduction will occur in the capabilities, function, or uses of the software or a module thereof.

15-13. Transfers To or From Other USACE Appropriations or Activities.

a. Transfers of assets with reimbursement will be accounted for as sales. USACE policy on sales is contained in paragraph 15-16.

b. Revolving fund assets that are fully depreciated may be transferred to a civil works project or a military appropriation without reimbursement if the asset will benefit only that project/appropriation in the future.

c. Revolving fund assets that are not fully depreciated may be transferred to the Revolving Fund at another USACE activity without reimbursement or may be sold at book value to other civil works or military appropriations or other Federal agencies.

d. Civil works assets may be sold to the Revolving Fund when usage indicates that the asset provides service to multiple civil works projects or appropriations. PRIP funding is required if the book value of the asset meets or exceeds the PRIP investment threshold.

e. Military assets owned by USACE are retired in the financial management system and transferred to the Defense Reutilization and Marketing Service (DRMS) without reimbursement. DRMS is part of the Defense Logistics Agency and disposes of property received from the military services.

15-14. Transfers To or From Other DoD Components or Federal Agencies.

a. To establish proper PP&E accountability when acquiring general PP&E from another DoD Component or federal agency, the acquiring activity shall request the necessary source documentation to establish the location; original acquisition cost; cost of improvements; the date the asset was purchased, constructed, or acquired; the estimated useful life; the amount of accumulated depreciation; and the condition. If this information is not available, estimates may be documented.

b. Transfers of constructed assets from CIP to military customers shall be supported by DD Forms 1354 (Transfer and Acceptance of Military Real Property). The asset file supporting the balance in the CIP account, as stated in paragraph 15-3, will be provided to the customer. A hard copy or electronic copy of the file will be retained locally to support the amount transferred from the CIP account. Project managers are responsible for ensuring that all costs are captured in the CIP account and reflected on the DD Form 1354 provided to the customer. Interim transfers shall be processed based upon the beneficial occupancy date; a final CIP transfer is processed when the project is fiscally complete. The project manager shall provide the accounting office signed and accepted copies of all interim and final DD Forms 1354 to support the credit to the CIP account. Transfers from the CIP account shall be recorded within 90 days of the customer's acceptance of DD Form 1354. However, if the customer fails to sign DD Form 1354 within the time allowed, CIP shall be transferred without the customer's signature.

15-15. Disposal.

a. Assets shall be removed from the general PP&E account if prior to disposal, retirement, or removal from service, the asset is no longer serving its intended purpose. ENG Form 3013 is used for all disposals.

b. The cost of the asset and the associated accumulated depreciation/amortization shall be transferred from the asset account to the disposal account within 90 days of the determination that the asset no longer serves its intended purpose. The start date of disposal is the date the asset no longer serves its intended purpose. Depreciation charges cease on the disposal start date.

c. Only the 'cost to sell' expenses will be charged to the disposal work item, including broker commissions, legal and title transfer fees, and closing costs that must be incurred before title can be transferred. All other expenses, such as costs to maintain the asset, utilities and similar costs, and costs to demolish the asset are accounted for as a current operating expense.

d. The difference between the net book value of the asset and any proceeds from sale or scrap is recognized as a gain or loss on disposal. The gain or loss shall be recorded in the financial management system within 90 days of the sale or final disposition of the asset.

15-16. Proceeds from Sales of Assets.

a. Receipts from sales of Revolving Fund assets, including land, are recorded as appropriation reimbursements to the Revolving Fund.

b. Receipts from the sale of land acquired for or in connection with a civil works project are credited to the Land and Water Conservation Fund, unless otherwise directed by Congress.

c. Property purchased or acquired for civil works projects, which is no longer needed or no longer serviceable, may be sold and the proceeds credited to the appropriation for the work for which it was purchased or acquired.

d. Military funded assets are transferred to Defense Reutilization and Marketing Service (DRMS) without reimbursement.

15-17. Scrap. Assets which are no longer useful and have no market value may be discarded or sold for scrap; sales of scrap are accounted for as disposals. Proceeds from the sale of civil works or Revolving Fund assets will be credited in accordance with paragraph 15-16.

15-18. Reconciliation and Analysis Requirements.

a. Project Level CIP Reviews. Reviews will be conducted on a quarterly or annual basis as required in paragraph 15-4.h.

(1) A Memorandum for Record will be maintained to indicate the date of the review, a list of attendees/reviewers, a list of completed assets ready to be placed in service, a list of required adjustments and their estimated completion dates, a list of any work items incorrectly classified as capital or expense cost, a list of any overdue items from the previous quarter’s review and the rationale for why the items were not completed, other pertinent information discussed during the review, and signature of the Project Manager and Resource Management representative.

(2) Reports used during the review to analyze project activity will be attached to the MFR, as follows:

(a) Construction in Progress Project Status Report;

(b) Project management CIP Status Report;

(c) Project management Project Closeout Report.

(3) The MFR will be reviewed at the next quarterly meeting to verify that corrective actions are complete. Any actions not completed will be annotated on the current quarter's MFR and presented to the Commander for resolution. A copy of the MFR will be maintained and available for audit until the financial statement audit for that year has been provided to HQUSACE by the auditor.

b. Asset History Review. No later than the 15th day of the month, the Finance and Accounting Officer or a designated individual will perform an independent review of adjustment transactions affecting the history of an asset. A minimum of the twenty highest dollar value transactions will be selected for review. The purpose of the review is to ensure that transactions are properly documented and properly recorded in the financial management system. The review will include an assessment of assets placed in service or retired, as well as ENG Forms 1302 and similar transactions affecting the accounting history of the asset (i.e. transfers in/out, depreciation adjustments, changes in useful life, valuation, placed-in-service dates, or asset classification). A copy of the asset history report will be signed and dated as proof of the review. Issues or comments will be annotated for further action. The signed report will be retained until the audit report for that fiscal year is issued.

c. Managerial Accounting Analysis. Within ten business days after the end of each fiscal quarter, managerial accountants will review asset management reports and reconciliations in order to identify errors or inconsistencies in asset accounting records. Documentation of the reviewer's research and actions taken to resolve each identified issue will be annotated on the reconciliation. Each report will be signed and dated by the reviewer. The Finance and Accounting Officer or a senior managerial accountant will review each report or reconciliation and sign and date the report as indication of their review. Documentation of each review will be maintained for audit purposes. Examples of reports and reconciliations to be reviewed are as follows:

(1) Reconciliation of CIP subsidiary costs to general ledger accounts;

(2) Reconciliation of personal property asset records in the financial management system to the property system;

(3) Reconciliation of PP&E records to asset subsidiary costs records;

(4) Recorded and scheduled depreciation.

d. Real Estate Review. Within ten business days after the end of a fiscal quarter, the Real Property Officer or designated individual in the Real Estate office will analyze reports which reconcile the asset records in the financial management system to the real property management system. Each report will be reviewed and approved in the manner described above.

15-19. Procedures. Accounting procedures for property, plant and equipment are available on the CERM-F Share Point website and the CEFMS Asset Management Users Manual.

Chapter 16

REVOLVING FUND ASSET ACCOUNTING

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CHAPTER 16

REVOLVING FUND ASSET ACCOUNTING

16-1. General.

a. The general policy and procedures in Chapter 15, Accounting for Property, Plant and Equipment (PP&E), apply to assets owned by the USACE Revolving Fund. This chapter prescribes additional accounting policy and procedures for Revolving Fund assets.

b. ER 37-1-29, Financial Management of Capital Investments, contains policy for Revolving Fund assets purchased through the Plant Replacement and Improvement Program (PRIP).

16-2. Policy.

a. Acquisition of Revolving Fund Assets.

(1) Assets acquired to serve more than one civil works project or multiple appropriations will be acquired in the USACE Revolving Fund. Assets are capitalized for accounting purposes based on the asset criteria in ER 37-1-30, Chapter 15.

(2) Revolving Fund assets below the investment threshold are acquired by all USACE activities using appropriate operating funds (departmental overhead, general and administrative (G&A) overhead, area office overhead, or shop and facility operating accounts). Operating funds may be used to acquire personal property below the capital investment threshold when the property will be used to provide services to military appropriations with reimbursement.

(3) Revolving Fund assets which meet or exceed the investment threshold are financed through the Plant Replacement and Improvement Program (PRIP) program. The Revolving Fund recoups the cost for financing PRIP assets through the application of depreciation expense and plant increment surcharge. PRIP funds shall not be used to finance PP&E solely for the benefit of military projects or appropriations; any such property will be funded by military appropriations. PRIP assets acquired for civil works functions may incidentally benefit military functions with reimbursement by military appropriations.

b. Establishment of Service Lives.

(1) Standard recovery periods (service lives) are used for all Revolving Fund assets. Recovery periods are shown in Appendix A. The asset manager must reduce the prescribed recovery period based upon a determination that the asset will not remain in service for the current life.

(2) Activities must request HQUSACE approval to use a recovery period which exceeds the period shown in Appendix A. Submit all requests to CERM-F. If approved, a copy of the waiver will be placed in the asset file.

c. Salvage Value. A salvage value of zero is used for all Revolving Fund assets. An exception to this policy may be authorized for PRIP assets if the estimated salvage value exceeds ten percent of the asset's cost; approval of CECW-OM-B and CERM-F is required.

d. Depreciation. Straight line depreciation is charged on all Revolving Fund assets except assets in the process of acquisition or disposal. Component depreciation is used for additions and betterments (A&Bs) placed in service after 1 October 2010. Component accounting allows depreciation on the A&B portion of an asset to be computed over its own separate recovery period. The recovery period of the A&B may not exceed one-half of the life of the original asset or the remaining useful life of the asset, whichever is less.

e. Plant Increment. Plant increment is the surcharge to fund the increased cost of replacement over the original life of a PRIP-funded asset. CERM-F publishes plant increment rates on an annual basis.

(1) All assets acquired under the PRIP program are subject to plant increment, excluding assets in the process of acquisition or disposal, land and capital leases.

(2) An exception to this policy may be authorized for a fully depreciated PRIP asset when there is documented evidence that the asset will not be replaced under PRIP authority or a replacement will cost less than the asset currently in use. When these conditions are met, Commanders of Major Subordinate Commands (MSC) may submit a request for waiver of plant increment to CERM-F.

(3) The component method is used to calculate plant increment for additions and betterments (A&Bs) placed in service after 1 October 2010. The plant increment computation on the A&B cost uses the annual factor for the year the A&B is placed in service.

f. Insurance. As a self-insured entity of the Federal Government, USACE ensures that risks incurred by virtue of owning and operating Revolving Fund assets are mitigated. Insurance premiums are charged on all PRIP-funded assets on a monthly basis to fund a reserve for loss or damage to these assets. HQUSACE may temporarily suspend insurance premiums based upon an analysis of funds held in the insurance reserve at the USACE level and the anticipated liability for insurance claims. Amounts collected for insurance are transferred to HQUSACE on a quarterly basis.

(1) Insurance is charged on all PRIP-funded assets. Only PRIP-funded assets are covered by insurance.

(2) Land and capital leases are not subject to insurance and are not covered by insurance.

(3) Requests to use insurance funds for loss or damage of PRIP assets must be approved by CERM-F. Requests for approval must include a report of survey, the property identification number, and other documentation needed to prove the nature, cause, monetary value of the loss, and book value of the lost or damaged asset. Requests will be considered for the following:

(a) Costs to economically repair a damaged asset;

(b) Remaining book value for an asset lost or damaged beyond economical repair;

(c) Incremental costs of the activity resulting from loss, damage, or unavailability of the asset during repairs.

(4) Replacement of a structure or item of equipment damaged beyond economical repair will be accounted for as a new procurement. The requirements for capitalization and PRIP authorization apply.

(5) Insurance funds may not be used for maritime and tort claim payments.

g. Plant Operating Accounts.

(1) Plant operating accounts are established to record the expenses associated with operation of Revolving Fund plant and equipment, along with income received from rental of those assets.

(a) A group operating account is established to accumulate expenses and income for operation of multiple assets of a similar nature. A single plant rental rate is established for all assets in the group. The single rate provides an equitable method of distribution to all customers for rental of the same type of plant.

(b) A non-group plant operating account is required for all remaining plant items. A separate rate is established for each item of non-group plant. A non-group plant operating account and rate are required for each of the following:

-aircraft;

-major floating or land plant item;

-structure having estimated replacement cost of $200,000 or more;

-other plant item having estimated replacement cost of $300,000 or more;

-any remaining assets not in a group.

(2) Asset managers are responsible for establishing and managing rates to recover the cost of operating Revolving Fund plant. In conjunction with Resource Management personnel, operating accounts will be reviewed on at least a quarterly basis to ensure that balances are sufficient to recover operating expenses and reasonable amounts for anticipated repair or overhaul. Reviews will be documented and plant rates will be adjusted to maintain proper account balances and ensure equitable distributions to customers.

(3) Upon disposal of non-group PP&E, the plant operating account balance is transferred to a non-operating income or loss account. A group plant operating account balance is transferred to a non-operating income or loss account when all items included in the group are disposed. When not all items in a group are disposed, the plant rental rate must be reviewed and revised as necessary.

(4) Revolving Fund assets purchased with departmental or G&A overhead funds do not use plant operating accounts. Any expenses related to operation of the asset are charged to the owning organization's overhead account.

h. Loan of Plant.

(1) The usage rate for plant loaned between USACE commands is charged from the time the plant leaves the owning command until it is returned. Chargeable time for plant borrowed by subsequent commands before it is returned is charged to each command from the time it leaves the previous command until it departs to another command or is returned to the previous borrowing command or the owning command.

(2) Revolving Fund-owned plant is not loaned to states, their political subdivisions, or private parties. An exception is allowed for emergency use to save life or property where an urgent and essential need exists and all efforts to obtain such plant from private sources have failed. The rental rate for such use is the current rate plus a 25% surcharge to protect public interests.

i. Revolving Fund Plant in Mothball Status. Assets temporarily removed from service with the expectation that the assets will be eventually returned to service may be placed in mothball status. Approval of CECW-O in coordination with CERM-F is required to place a PRIP asset in mothball status and will rarely be granted. Depreciation will continue to be charged on assets in mothball status. Plant increment will continue to be charged unless specifically waived by CECW-O and CERM-F. Mothball status will not be used to circumvent plant increment charges.

(1) As soon as mothball status is anticipated, the plant rental rate will be adjusted to include estimated mothball costs for remaining work.

(2) Mothball expenses to store the plant with minimal deterioration are charged to the plant operating account.

(3) Insurance premiums continue to be charged to the plant operating account. In the event of accidental damage to or loss of the plant, the insurance account will bear the cost to repair the damage or the remaining book value of the plant for total loss.

(4) The plant operating account for plant in a mothball account remains active until final disposition of the asset.

j. Conversion or Reclassification.

(1) A plant item converted or reclassified from one type to another is processed as a new plant item acquisition.

(2) The book value of the converted or reclassified plant, plus conversion or reclassification cost, less credit for salvaged materials is the new book value.

(3) PRIP authority is required if the cash outlay exceeds the investment threshold in Chapter 15, Appendix A.

(4) The net remaining plant operating account balance is recouped through the converted or reclassified item's use rate for a non-group plant account item or the rate for remaining items of a group account.

k. Trade-in. Revolving Fund assets may only be traded in for value towards another Revolving Fund asset.

l. Donation and Disposal. Proceeds from the disposal of Revolving Fund assets are credited to the Revolving Fund. PRIP assets are not donated, sold or transferred at nominal value, or converted for other beneficial use by others if such action will result in a loss of revenue to the Revolving Fund. MSCs must submit all requests for exception to this policy to CERM-F for approval. The request must include the property identification number and the book value of the asset.

16-3. Procedures. Accounting procedures for Revolving Fund assets are available on the CERM-F Share Point website and the Corps of Engineers Financial Management System (CEFMS) Asset Management Users Manual.

Chapter 17

REVOLVING FUND INVENTORY

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CHAPTER 17

REVOLVING FUND INVENTORY

17-1. General. This chapter prescribes the accounting policy and procedures for the operation of warehouse activities financed by the Revolving Fund. This chapter does not apply to inventory acquired or maintained for a specific civil works project. This chapter is used in conjunction with the following references:

a. Department of Defense (DoD) Instruction 5000.64, Accountability and Management of DoD Equipment and Other Accountable Property.

b. DoD 7000.14-R, Financial Management Regulation.

c. ER 700-1-1, USACE Supply Policies and Procedures.

17-2. Definition. Revolving Fund inventory is tangible personal property or materials held for sale to multiple civil works projects or other Revolving Fund customers. Inventory also includes materials in the process of production or fabrication for sale to projects, as well as common goods used to provide Revolving Fund services for a fee.

17-3. Policy.

a. CERM-F may authorize Revolving Fund inventory accounts when it is more economical and/or efficient to purchase and maintain common goods or materials for sale to multiple civil works projects or other Revolving Fund customers. Requests to establish a Revolving Fund inventory account are submitted to CERM-F for approval.

b. Revolving Fund inventory accounts are not used to maintain items readily available on the open market or through the Government Purchase Card Program. Activities may not maintain office supplies in a Revolving Fund inventory account.

c. Revolving Fund inventory items are common in nature and are held for sale to multiple customers. Property accountability for Revolving Fund inventory is maintained in the Corps of Engineers Financial Management System (CEFMS).

d. Revolving Fund inventory accounts are not used to finance property, spare parts, or repair items under specification or unique to a single civil works project or asset, a military project or asset, or a single Revolving Fund asset or activity, including dredges and floating plant. Project is defined as a unique project work item as shown on a Work Allowance Document or as reported on ENG Form 3011a. Items that are not common in nature are acquired by the project, the plant operating account, or other appropriate funds. See Chapter 2 of this regulation.

e. Prompt reimbursement is required from all customers. USACE Logistics Activity (ULA) personnel and other Accountable Officers must process billings in CEFMS for all inventory issues on no less than a monthly basis.

f. As the Revolving Fund operates entirely within its own receipts, every effort is required to preclude losses in the inventory accounts caused by obsolete, excess, or unusable inventory items. Activities may not donate Revolving Fund stock to others. Every effort will be made to dispose of excess or obsolete stock at book cost.

17-4. Responsibilities for Inventory.

a. The ULA is responsible for purchasing, receiving, storing, and issuing inventory in accordance with this regulation and the CEFMS Inventory Management Users Manual.

b. The ULA may appoint other Accountable Officers when the ULA is not responsible for maintaining specific inventory, such as revetment materials under the control of Operations Division personnel. Accountable Officers shall perform all functions otherwise required of the ULA. The ULA will provide oversight of inventories maintained by non-ULA personnel.

c. The stock control specialist is required to update the CEFMS Inventory Module for all incoming and outgoing inventory items. The stock control specialist shall validate all purchase requests citing inventory resource codes against the stock on-hand before the purchase request is approved.

d. The ULA shall perform a periodic, independent verification of the accounting and accountable property records through physical counts of all inventory items. Inventory items are often stored both inside and outside of a warehouse facility. A physical count of all inventory items is required at least every three years; classified or sensitive items are inventoried at least annually. The periodic verification shall include reconciling the subsidiary property accountability records and/or systems with the physical count. Self-validations do not meet the requirement for independent verification of physical inventory. Responsible employees shall record adjustments in CEFMS for any overages or shortages identified by the physical count. This process ensures that amounts shown in the general ledger and financial statements are correct. Accountable officers shall maintain written documentation supporting the physical count and reconciliation for audit purposes.

e. Although the ULA is the principal proponent for inventory management, managerial accountants will participate in the financial analysis of inventory accounts, establishment of burden rates and cash management. Managerial accounts will monitor account balances and ensure that sales transactions are recorded promptly to reimburse the Revolving Fund. Resource Managers will report any issues of non-compliance with accounting requirements to the local Commander and to the Chief of the ULA.

17-5. Accounting for Inventory and Warehouse Operations. The RF80 account is used to record the costs to operate a warehouse facility and to maintain the cost of the inventory held for sale or consumption. When more than one warehouse is maintained, a separate child work item is required for each warehouse. Within each child work item, costs are categorized to distinguish between warehouse operating costs and the cost of the inventory items. Individuals who enter transactions in CEFMS must ensure that the proper work breakdown structure is used. Purchase requests and transactions must cite the proper cost types, work categories and resource codes. Improper procedures will result in an over-statement of operating costs on ENG 3021, Revolving Fund Results From Operations. Costs are categorized as follows:

a. Warehouse operating costs. Use cost type EXP and CEFMS work category STOCK; various resource codes apply. This category includes all costs incurred for receipt, storage, and issuance of warehouse stock, excluding the stock items.

Operating costs include space costs or rent, utilities, and other costs to house the inventory items. The stock control specialist and assigned staff charge to the operating account work item for labor, travel, and other miscellaneous costs to maintain the inventory using appropriate resource codes. This category also includes expendable tools and equipment, depreciation, insurance, plant increment charges for equipment financed by the Plant Replacement and Improvement Program (PRIP) and plant rental charges. A warehouse burden is established to recoup the operating costs. The burden is applied to every sale of inventory to reimburse the warehouse operating costs.

b. Inventory Items. Use cost type INV, work category STOCK, and inventory resource codes. Revolving Fund inventory is recognized in CEFMS when goods are delivered and a receiving report is entered. Warehouse inventory is generally subdivided as new acquisitions or inventory adjustments (gains and losses). Costs are recorded using the following CEFMS work category elements:

(1) CEFMS Work Category Element NACE - New Acquisitions. This work category element accumulates the cost of stock received by the stock control specialist. Acquisitions include the costs of items purchased, stock acquired by donation, stock transferred from other districts, and stock found on works. Inward freight fees are included as part of the acquisition costs per unit, where feasible. Otherwise, the freight fees are charged to the warehouse operating account. Costs are recorded net of a purchase discount taken. CEFMS uses resource codes (ex: 12GAGEWIRE) and national stock numbers (NSN) to identify the stock items. A perpetual inventory is maintained to allow re-computation of the average unit cost.

(2) CEFMS Work Category Element INVGN and INVLS - Inventory Adjustments for Gains and Losses. These work category elements are used to recognize gains (overages) or losses (shortages) disclosed by physical count, as well as discrepancies between the ULA stock control records and the quantities in CEFMS. DD Form 200, Financial Liability Investigation of Property Loss (FLIPL) is required if the amount of the loss is $100 or more. Transfers between activities with more than one warehouse are also included. Inventory pricing of the stock items is recorded at the current fair market value or the latest acquisition cost.

c. Salvage Operations. Use cost type INV and work category SALVAG; various resource codes apply. This category is used to record the cost of salvage for inventory items identified as surplus, obsolete or non-serviceable. The cost of the items is transferred from cost type INV to cost type SAL. The cost account record created to support the salvage transaction includes work category code 'STOCK', work category element 'VALSM, and cost type 'SAL'. Salvage costs include costs to mobilize and prepare the items for sale, advertising and equipment costs. Labor costs are not charged to salvage account. Receipts from the sale of salvage are also credited to this work category.

d. Cost of Goods Sold (COGS). Income transactions use cost type INV, work category COGS, and a distributable resource code. The COGS work category reflects the net income from sales of stock, including the warehouse burden added to each sale or issuance. The COGS work category is debited with the cost of the stock items at average unit cost in effect at the time of issue and credited with the income from the sale of stock and the applied burden. A distinction is maintained between stock consumed by Revolving Fund activities and stock sold to projects.

17-6. Fabrication of Finished Goods. A separate RF80 child work item is established to record the cost of raw materials used in the manufacture of finished goods, such as revetment mat. When fabrication is completed, the costs recorded as inventory in progress are transferred to finished goods and recorded as inventory available for consumption. Stock is sold from the fabrication work item using the average cost method. Credits reflect the total value of the manufactured items.

17-7. Accounting for Stock Returns. Stock returns are refunded to the customer at book cost. CEFMS work category element ASDIS is used to credit returned items as a reduction to issues. The burden is only refunded when the stock issued was in excess of the amount requisitioned or with unacceptable substitutes.

17-8. Disposal of Inventory.

a. When excess inventory is identified, the stock control specialist shall seek to dispose of or return the stock items to the vendor for a full refund.

b. The Revolving Fund is credited with the proceeds from the sale of Revolving Fund property or inventory. Local activities must ensure that the proceeds from disposal of Revolving Fund property by the General Services Administration (GSA) or the Defense Reutilization and Marketing Office (DRMO) are returned to USACE for credit to the Revolving Fund. Activities may not donate Revolving Fund property to others.

17-9. Management and Analysis of Warehouse Operating Accounts and Burden Rates.

a. Every Revolving Fund warehouse activity must establish a burden rate through the operating budget process. The burden rate must recoup the full cost to operate the warehouse (cost type EXP). The burden is applied at the point of sale or issue of inventory to generate income which offsets the costs to operate the warehouse.

b. Burden rates are constructed to achieve a fiscal year-end balance of zero in the warehouse operating account, but a balance within plus or minus one percent of expenses is considered to be within the nominal balance range and meets the statutory requirement. Quarterly targets are established to facilitate accomplishment of year-end goals.

c. Activities will conduct expense and income reviews no less than quarterly to determine whether budget projections are on track and the existing rate is properly established.

d. CEFMS report ENG 3021, Results From Operations, is used to analyze expenses incurred in operating Revolving Fund warehouses and the associated income from applying the burden rate. This report reflects operating costs and does not include the cost of the inventory items. The warehouse manager must review this report on a monthly basis and ensure that a nominal balance is achieved at the end of every fiscal year.

e. Any balance falling outside the nominal balance range at the end of the fiscal year represents a possible statutory violation and is subject to censure by the Commander. Each region or center shall establish a corrective action plan if the regional balance falls outside the nominal balance range.

17-10. Procedures. Proper accounting procedures for Revolving Fund inventory accounts are available in the CEFMS User Manual and on the CERM-F Share Point website.

Chapter 19

RESERVED FOR FUTURE USE

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