

CHAPTER 20  
REVOLVING FUND ACCOUNTING  
FOR  
DEPARTMENTAL OVERHEAD

20-1. General. Departmental overhead (also known as technical overhead) accounts are used to record and distribute costs incurred in the day-to-day operation of departmental organizations which either cannot be directly identified to or are not readily chargeable to a specific program, project, or reimbursable order. Departmental overhead costs are only distributed to work in which the departmental organization is actively involved, based upon direct labor charges to programs, projects, or reimbursable orders.

20-2. Policy for Departmental Overhead. Indirect costs of departmental organizations will be charged to the departmental overhead work item and will not be charged directly to programs, projects, or reimbursable work items. Indirect costs are organizational, administrative, or supportive in nature. Indirect costs are incurred because of organizational needs or decisions and benefit programs, projects, and reimbursable work indirectly.

a. Labor Costs.

(1) Labor hours of employees assigned to departmental organizations, including supervisors, clerical, and administrative staff, which are actually worked on a specific program, project, or reimbursable order shall be charged as direct labor to those accounts.

(2) Labor hours of a general nature which cannot be identified to, or are not readily chargeable to a specific program, project, or reimbursable order will be charged to departmental overhead accounts as indirect labor. Labor related to the following activities must always be charged to the departmental overhead work item:

(a) Training, including full time attendance at colleges or universities;

(b) Professional seminars or conferences;

(c) General administration, staff meetings, personnel

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management activities (including general supervision, performance appraisals, counseling, recruiting, etc.);

(d) Committee meetings;

(e) Management and manpower surveys;

(f) Preparation, review, and analysis of operating budgets;

(g) Review and evaluation of management issues or initiatives;

(h) Responses to other than Congressional inquiries regarding probable development of a project or study when not covered by appropriated funds;

(i) Preparation of annual reports;

(j) Quarterly review and analysis;

(k) Preparation of charts and exhibits for meetings or staff visits;

(l) Services to executive, advisory and administrative elements, with exception of contracting or purchasing services on non-CDO activities;

(m) Service to other agencies and local interests when not covered by appropriated funds and/or memorandum of understanding and support agreements;

(n) Preparation or delivery of speeches or presentations of a general nature.

(3) Labor of departmental overhead employees providing supervision, technical support, or administrative support to a USACE Revolving Fund shop or facility will be charged to the shop or facility account. Departmental overhead will be distributed on labor of employees assigned to an organization coded "D" (departmental) when those employees charge labor directly to a shop or facility account.

(4) Under no circumstances will labor hours actually worked on a specific program, project, or reimbursable order be charged or transferred to another program, project, or reimbursable order or the departmental overhead work item in order to mask cost overruns, compensate for funding shortfalls, avoid reprogramming

actions, or mask potential Antideficiency Act violations. Managers of all departmental organizations must establish and maintain appropriate procedures and internal controls to ensure that labor hours are charged correctly. In addition, Resource Managers and their staffs must ensure that documented and/or suspected erroneous labor charges are reported to the local Commander for investigation, appropriate corrective action, and/or disciplinary action.

b. Non-labor costs.

(1) The following costs are incurred because of organizational needs and decisions and shall not be charged directly to programs, projects, or reimbursable orders. These costs are also known as standard indirect costs.

- (a) Suggestions and incentive awards;
- (b) Voluntary separation or early retirement incentives;
- (c) Permanent change of station travel or benefits;
- (d) Tuition for government or non-government training;
- (e) Conference or registration fees;
- (f) Office supplies, excluding those drawn from a central or "free issue" stockroom;
- (g) Information Technology equipment or software (below the capital threshold) and maintenance of those items;
- (h) Office furniture or equipment, below PRIP threshold;
- (i) Equipment ownership costs for assets (including depreciation, insurance, and increment of PRIP assets);
- (j) Information technology (IT) supplies;
- (k) Communication costs;
- (l) Telecommunications hardware or software leases;
- (m) Library facility charges;
- (n) Support contracts;
- (o) GSA space costs;

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- (p) Postage, contractual mail or messenger services;
- (q) Revolving Fund facility charges that benefit a single organizational element.

(2) The following costs are also classified as standard indirect (overhead) costs but may be charged to a project or reimbursable order if the costs contribute exclusively to the accomplishment of a single project or reimbursable order.

- (a) Temporary duty travel;
- (b) Supplies and materials, excluding office supplies;
- (c) Printing charges;
- (d) Computer usage charges;
- (e) Visual information charges;
- (f) Vehicle charges;
- (g) Rent, excluding office space for Corps employees;
- (h) Utilities.

c. Prohibited Departmental Overhead Costs. The following costs shall not be charged to departmental overhead accounts:

- (1) Costs that solely benefit a single project or reimbursable order;
- (2) Project specific labor or other costs for which project funds are not available;
- (3) Costs that should be charged to General and Administrative (G&A) overhead;
- (4) Centralized payroll, finance and accounting, and human resources costs;
- (5) Central (free issue) supply room charges.

d. Exemptions. Due to unique accounting requirements, costs charged to the following appropriations are exempt from the standard indirect costing policy:

- (1) 97-11X8242, Foreign Military Sales;
- (2) 98-89X4045, Bonneville Power Administration;
- (3) 99X9829, Operating Expense, District of Columbia.

20-3. Consolidated Departmental Overhead (CDO). All USACE districts must use the standard CDO account structure to capture the indirect costs of Planning, Engineering, Construction, Contracting, Real Estate, and Programs and Project Management (PPM). Child work items are established to track the indirect costs of each organization. Functional Chiefs are responsible for direct and indirect operating budget formulation and execution. A single CDO manager is designated at each district for coordination purposes; however, a corporate approach to the CDO account's budgetary formulation, execution, and analysis is essential. The CDO manager must attest to the propriety of financial controls and the requirements defined in the Army Management Control Plan and the USACE Annual Assurance Statement.

20-4. Departmental Overhead Distributions (Income).

a. General. Departmental overhead will be applied to labor of departmental employees direct-charged to programs, projects, reimbursable orders, and Revolving Fund shop or facility accounts. Departmental overhead will be charged on labor loaned within a USACE entity (from one organization to another). In order to ensure that overhead is applied to all customers in a consistent manner, departmental overhead may only be waived in accordance with the exceptions below. Requests for exception will be forwarded to CERM-F for approval.

b. Exceptions. Departmental overhead will not be applied to the following:

(1) Direct labor costs of departmental employees on a formal SF 50 (Notification of Personnel Action) or executive development assignment to another organization within the same USACE subordinate command or to another government agency.

(2) Labor of engineers and/or inspectors informally detailed (no SF 50 action) to work on disaster assistance activities under the direct supervision of the Federal Emergency Management Agency (FEMA) on Project Work Sheets, damage assessments, damage survey reports, or final inspection reports, as those activities do not involve direct district office supervision (see ER 11-1-320).

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(3) Labor of employees on Permanent Change of Station (PCS) house hunting trips.

(4) Labor of Department of Army (DA) interns.

(5) Labor of departmental personnel charged to general and administrative (G&A) overhead work items.

(6) Labor charges of employees organizationally assigned to a Revolving Fund shop or facility account.

20-5. Regional Departmental Overhead Rates.

a. Regional Business Centers (RBC) utilize a regional cost pool for development of regional overhead rates. Regional rates will be established for Operations Division, Emergency Management, Regulatory, and the Consolidated Departmental Overhead account (Planning, Engineering, Construction, Contracting, Real Estate, Programs and Project Management (PPM) Divisions). A single rate will be established for each of the four rate groups. Overhead is distributed internal to the RBC (the business unit) in the same manner as overhead is distributed in a stand-alone (non-regional) environment.

b. Regional rates do not apply to the Pacific Ocean Division, districts outside the continental United States (OCONUS), centers, and laboratories; however, the standard CDO account structure will be utilized, excluding activities authorized to operate unique DOH accounts.

c. Each district will formulate the initial budget requirements for direct and indirect costs. District budgets are consolidated at the RBC level in order to develop the regional operating budget and subsequently determine the regional overhead rates.

d. The Regional Program Budget Advisory Committee (RPBAC), or like board, will review budgeted and actual costs and income on no less than a quarterly basis. District performance in a regional rates environment is measured by comparing actual costs with the approved operating budget. Regional performance is measured by comparing total cost for each overhead pool with total income. Nominal balance requirements for regional accounts apply at the regional level. The Division Commander is responsible for ensuring that the RBC takes appropriate management action to meet the nominal balance requirement by the end of the fiscal year (constrain spending, increase or decrease

rates, rebate, etc.).

20-6. Management and Analysis of Departmental Overhead Accounts.

a. Operating Budgets are prepared for all DOH accounts in accordance with ER 37-1-24, Financial Administration, Operating Budgets. Overhead rates are established based on expense and income projections for each overhead pool in accordance with the approved operating budget. In order to ensure that all applicable statutory requirements are met, operating budgets are constructed to achieve a fiscal year end balance of zero for each departmental overhead pool. An end-of-fiscal-year balance falling within a range of plus or minus one per cent (1%) of current year expenditures, exclusive of joint cost credits, is considered to be within the "nominal balance" range. Quarterly nominal balance targets are established to facilitate accomplishment of the fiscal year-end goal.

b. Expense/income reviews will be conducted no less than quarterly to determine whether budget projections are on track and the existing rates are properly set. Reviews will also be conducted when it becomes known that: (1) a major expenditure, such as a move to a new building or leased space, will be delayed until the next fiscal year; (2) that it will be necessary to make a major unplanned expenditure, such as Voluntary Early Retirement Authority or Voluntary Separation Incentive Program (VSIP/VERA) payments, during the current fiscal year; and/or (3) the projected income included in the operating budget and rate computations will either not materialize or significantly exceed the anticipated amount. Commanders must ensure that work item managers (or the managing regional board) take appropriate corrective action (reduce spending, surcharge, rebate, increase/decrease rates, etc.) based on the results of these reviews, in order to meet the nominal balance requirement.

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

d. At the end of each fiscal year, departmental overhead accounts will be analyzed to determine the degree of effectiveness with which they are managed and to ensure that all statutory requirements are met. Any balance which falls outside the nominal balance range, or exceeds a special year-end balance

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approved by HQUSACE, represents a possible statutory violation and, as a minimum, will be subject to censure by the Commander. Amounts which fall outside the nominal balance range at the regional level, as a minimum, will be subject to censure by the Chief of Engineers.

20-7. Departmental Overhead Procedures. Proper procedures for departmental overhead accounts are available at <http://www.usace.army.mil/inet/functions/rm/finance/finance.htm>.