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## FISCAL MANAGEMENT OF CONSTRUCTION

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## CHAPTER 1 FISCAL MANAGEMENT

1-1. Purpose. This regulation establishes the policies and procedures to be used in the financial management of the construction function within the Project Management Business Process (PMBP) at the district and under the regional business center at the major subordinate command (MSC) level. It also establishes procedures for the management of the supervision and administration (S&A) of construction accounts at these levels, HQUSACE, and the USACE Finance Center (UFC). There are significant differences in how S&A costs are calculated and allocated in a civil works project (chapter 6) versus a military project subject to flat rate procedures (chapter 3) or military project done at actual cost (chapter 4).

1-2. Applicability. This regulation applies to all HQUSACE elements and all USACE Commands with responsibilities for the management or oversight of project resources during the construction phase of projects or the management of S&A construction activities or funds.

1-3. References. See Appendix A.

1.4. Distribution. Approved for public release; distribution is unlimited.

1-5. General.

a. The objective of this regulation is to provide guidance on the effective management and the fiscal stewardship of resources during the construction phase of projects and effective support, communication and teamwork by project managers (PMs), design managers, construction managers (CMs), human resource staff, contracting staff, legal staff, and resource management (RMs) staff to ensure responsive, quality services are delivered on time and within budget to USACE customers during the construction execution phase.

b. S&A, as used in this regulation, consists of those activities performed and costs incurred during the construction phase of projects for construction supervision and inspection (S&I) and general and administrative (G&A) overhead. S&I includes contract administration, inspection and quality assurance (QA) activities, contract enforcement, review of required contractor submittals (except shop drawings review by the designer), project and technical management directly related to projects. Allowable charges to the S&A accounts are defined in engineers regulations (ER) 37-2-10 and ER 37-345-10. (See Chapter 2 for a discussion of S&A activities.) Conflicts between this regulation and the ERs referenced in Appendix A should be reported to the S&A accounts manager (ATTN: CERM-P) .

c. Fiscal stewardship is defined as making prudent financial decisions that consider all influencing factors such as technical issues, cost impacts, customer guidance, and applicable laws and/or regulations. Maintaining fiscal stewardship is a shared team effort. It requires all project team members to be responsive in meeting commitments in a timely manner. These responsibilities include, but are not limited to: maintaining fiscal integrity; receipt and management of customer funds; funds control; liquidation of obligations; labor charges; construction process (CIP) reporting; project audits; closeouts; transfers to plant-in-service; and timely return of any excess funds.

#### 1-6. Responsibilities.

a. The Deputy Chief of Staff Resource Management (DSCRM) and RMS have the primary responsibility for ensuring effective financial management processes, procedures, and internal controls in their organization. Key elements are:

(1) Individual and organizational accountability for management of costs.

(2) Stewardship of the military, civil works (CW), Department of the Defense (DOD), and support for others (SFO) S&A accounts during the budget preparation process, including allocation of resources to technical functional elements. During budget preparation, the deputy for programs (DPM) (in coordination with the chiefs of the appropriate functional elements) shall review and evaluate all items in the district operating budget which will be funded from S&A income and reconcile all proposed costs with the anticipated S&A income, to assure that mandated S&A targets/ceilings are not exceeded. Unresolved differences between technical/functional elements and the DPM relating to the adequacy of resources in the baseline budget will be resolved by the RM, Program and Budget Advisory Committee (PBAC) or elevated to the regional business center (RBC) for resolution.

(3) S&A reporting. The RM, in coordination with the district command staff, construction functional chief, and project managers will prepare and analyze monthly construction placement, S&A income and expense reports to their MSC headquarters and HQUSACE (CERM-P). (See Chapter 7 for details)

(4) Planning by managers to ensure that the most effective, efficient mixes of Government and contractor resources are used to accomplish needed construction S&A activities.

(5) Integrity and accuracy in charging work to the appropriate account and a timely input of data to the appropriate accounting system. Incorrect charging of costs may result in violations of the Anti-Deficiency Act (31 USC 1341/1517, Anti-Deficiency Act) or the Purpose Statute (31 USC 1301.). The RM is responsible for implementing internal management controls and procedures to minimize S&A leakage (income earned from application of the S&A flat rate but not deposited in the S&A revolving fund).

Consistency in cost accounting practices, compliance with cost accounting regulations, and accurate recording and reporting of costs are also necessary to provide reliable historical data for use in preparing future budget estimates. The RM will provide funds control and account for customer funds and S&A cost; assuring S&A costs are accurately charged to the projects and S&A accounts is an integral part of the Chief Financial Officer's (CFO) responsibilities.

(6) Preparation, management and execution (See ER 37-1-24) of the district operating budget, with input from the technical function chiefs and district corporate board. The district operating budget will include all resources required to execute district programs, and shall be consistent with the resource requirements detailed in individual project management plans (PMPs). The chiefs of technical/functional elements will take an active role in the preparation of project budgets, baseline budgets, and schedules to assure that adequate funds are included for technical/functional elements to successfully accomplish their contributions to project/program delivery.

(7) Monitoring of actual charges to the military, CW, other DOD, SFO, and S&A accounts throughout the budget year to assure that S&A year end targets/ceilings are not exceeded. For reporting of the scheduled and actual placement, income, and expenses, see Chapters 3 and 7.

(8) Maintenance of historical records of project related expenses for preparation of estimates for similar projects in the future; and for feedback to the commander, the district corporate board, project managers (PM), technical/functional managers, construction personnel, cost engineer, and other appropriate individuals.

b. DPM and the PM. At each district, the DPM is responsible for the items listed below. In performing these responsibilities, managers at all levels should refer to ER 5-1-11, for guidance.

(1) The PM has the primary responsibility for fiscal integrity and authority to control project funds to ensure they are used appropriately and in accordance with Public Law, regulation, and the project management plan. The PM, in coordination with appropriate functional elements, is also responsible for taking prompt action to correct problems identified from internal and external evaluations.

(2) Adherence to the management plan for each project which must include a comprehensive budget and schedule. Accurate and timely forecasting of management costs and contract placement, effective use of accounting systems, and reports to monitor costs are critical for good management and budget execution. The PM will monitor cost and take necessary management actions to secure additional funds before funds are exhausted and work is stopped. If funds are not secured, the PM is

responsible for taking necessary action to prevent the Government from incurring costs in excess of available funding. This will require close coordination and communication with the contracting officer (CO) and the authorized representative of contracting officer (ARCO).

(3) Management of resources and leadership of project team personnel to ensure that products and projects, as defined in each project's management plan, are complete within budget, on schedule and of specified quality. Projects will be periodically evaluated by the project team against the baseline requirements (scope, schedule, and cost) established in the management plan. (See ER 5-1-11 for a description of the management plan requirements for the PMBP.

c. CM technical/functional chief. The chief of the construction function at each district is responsible for the items listed below.

(1) Preparation of construction operating budget in accordance with ER 37-1-24 and the district or MSC guidance. The construction functional chief in coordination with the DPM and PM shall prepare and maintain an annual operating budget for all construction phase activities for the total district program. This budget shall be prepared as a part of the district's total operating budget for the fiscal year under the direction of the RM and shall be consistent with the management plans for individual projects. The objective of the construction operating budget is to match expense to income. In addition the operating budget provides the district engineer and the district corporate board with the ability to direct and control the resources necessary to accomplish construction missions, and to provide the DPM and construction functional chief with the ability to plan, organize, and staff construction operations. The operating budget shall include all construction-related costs, direct and indirect, as well as all funding sources and it shall consider all income sources (which may differ from the funding sources). It shall include estimates for all the activities in which construction personnel will be involved during all phases of the life cycle of all projects, regardless of the type of funds used to pay for specific activities. All construction-related activities for which the district is responsible will be managed within the cost limits budgeted in the construction operating budget and individual PMPs. As a minimum, the following items will be considered in preparing and managing the budget.

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

(b) All district S&A expenditures for military projects subject to flat rates based on targets/ceilings established by HQUSACE and the MSC. (See Chapter 3)

(c) S&A costs for CW based on the actual costs of managing a project. (See Chapter 6)

(d) S&A costs for interagency and intergovernmental support and DOD customers not under the Flat-Rate Accounts based on the actual costs of managing a project. (See Chapters 4 and 6, for a discussion of "at-cost" projects.)

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

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

(4) Full use of construction phase management techniques such as partnering to create teamwork and maintain positive, open USACE-customer-contractor relationships.

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

(6) Participation as a member of the district's corporate board to ensure continuity and coordination among all technical/functional elements supporting the delivery of programs/projects.

(7) Oversight of construction S&A and departmental indirect accounts (including are office). During budget preparation and execution, the construction functional chief will oversee the identification of S&A funded requirements and the allocation of S&A resources. This will be done in a spirit of teamwork with the other members of the project delivery team at all levels of the organization. This effort will be closely coordinated with the RM to ensure the S&A activities, resources and requirements fit with the district's overall work plans for executing the operating budget.

(8) Review of construction S&A income and expenses. The S&A budget preparation, review and execution cycle for S&A resources will include a regular review and evaluation of all items in the district operating budget to be funded from S&A income. CMs will regularly reconcile all proposed S&A costs with the anticipated S&A income to assure that year end S&A expense targets/ceilings are not exceeded. These S&A oversight responsibilities of the construction functional chief include periodic monitoring of projected and actual S&A expenses to ensure compliance with plans, policies, budgets, and project requirements regarding construction of S&A activities.

## CHAPTER 2 SUPERVISION AND ADMINISTRATION ACTIVITIES AND COSTS

### 2-1. Introduction.

a. S&A activities are those relating to project management, construction contract administration, and construction quality assurance. S&A, supervision, inspection, and overhead (SIOH) apply to costs incurred by both the district and construction field personnel. S&I costs are directly charged to the S&A accounts. General and Administrative (G&AO) Overhead Cost are incurred by the district advisory and administrative staff and are not normally directly chargeable to projects or the flat rate S&A accounts. Their cost is distributed as an overhead percentage applied to direct labor cost. This chapter presents a comprehensive list of S&A activities and costs to ensure uniform charging procedures throughout the Corps. The detailed description of S&A cost and non-S&A cost is intended to augment guidance in ER 37-2-10 and ER 37-345-10. Any conflict should be sent to CERM-P for resolution.

b. Costs will be charged directly to the benefiting project or to the appropriate flat rate S&A account unless they are general in nature (see paragraph 2-4). (Note that certain "overhead" offices are charged to G&AO and are not generally allowed to charge directly to projects or the flat rate accounts.) Requests for exception shall be submitted to HQUSACE for approval. Projects performed "at-cost" will generally require more detailed, project-specific record-keeping than those performed at a flat rate. Costs, which cannot be readily identified with a specific project, e.g., overhead, will be distributed based on direct labor charges (See ER 37-2-10).

c. Some activities are also listed to indicate that they are not to be charged to S&A accounts. However, it is not the purpose of this chapter to identify the accounts to which these non-S&A activities should be charged; refer to accounting guidance in ERs 37-2-10 (civil) and 37-345-10 (military) for detailed information. (See Chapters 5, 8, and 9 of this ER for discussions of other costs.)

d. Labor cost includes the cost for labor burden. These are expenses for various employee-related costs, and for the Government's contributions for various fringe benefits. These contributions are toward employee retirement (either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS), leave, life insurance, social security tax, Medicare, severance pay entitlement, job-related traumatic injuries, and employee health benefits. This burden increases the labor costs charged directly to the project or to overhead and indirect accounts. The dollar values for the above burdens are accumulated in special accounts in the Corps Revolving Fund, and then distributed as expenses are incurred.

e. S&A of projects during construction. Activities and costs which are charged directly to the project or S&A accounts are categorized as pre-award activities (prior to

construction contract award) or post-award activities after construction. Indirect costs are normally charged to the departmental account (including area/resident office) or G&AO account. (See the applicable DCSR management guidance for the appropriate cost account to charge.)

f. Level of detail of cost accounting. The minimum level of cost accounting is that required by ER 37-2-10 and ER 37-345-10; however, each organization must keep records to a level of detail that will allow it to meet management objectives. Those projects funded by a flat rate S&A account need not be broken down beyond the level for which it is productive to maintain actual cost records. However, it will be necessary for districts to use a lower level breakdown for those projects where S&A costs are charged on an "at-cost" basis, e.g., to meet sponsor/customer requirements.

2-2. Pre-Award Activities. These are restricted to activities that are performed before award of a construction contract and are usually considered as a function of the construction technical/functional element. Note that not all pre-award activities are listed - only those performed by construction personnel. Table 2-1 provides guidance on the appropriate pre-award activities.

2-3. Post-Award Activities.

a. These include managerial, technical, and administrative activities and costs that are performed/incurred after the award of a construction contract and which are directly related to the management and S&I of projects during the construction phase. (See Table 2-2 for a list of these activities.)

b. Project management. The costs of project management during the construction phase of projects shall be charged to the S&A flat rate accounts only on a project specific basis. Exception to this policy must be approved by CEMP-M. Currently approximately 4 percent of the MILCON S&A expense are from the PM organization. The percentage varies with efficiency and function performed. CW and support for other projects will have PM cost charged directly to the project.

c. Technical management. Activities of managers in the construction functional element directly attributable to projects shall be charged to S&A. This includes various construction phase activities performed as a member of the project management team and directly related to administration and enforcement of construction contracts.

d. Design activities undertaken during the construction phase in order to complete the project design are not charged to S&A. These activities shall be included in the project budget for engineering and design and shall normally be funded from the appropriate design funds (i.e., Design During Construction (DDC) or Planning and Design (P&D) for scope and request for approval (RFP) development of MILCON projects). This includes review by designers of shop drawings for government approval

(chargeable to DDC), and reproduction of plan and specification (including changes) for the CM and PM staff. If the construction contract method is an indefinite delivery type contract (IDTC), this effort would also include scope for task orders. In the case of design-build, the design budget would include RFP development and review of the contractor's design submission.

e. Extraordinary costs for post award activities are not covered by the S&A flat rate. This includes; OCONUS life support and force protection (normally required by the embassy), safety office involvement in OEW work (see paragraphs 2-3.f and 3-4), expert witnesses (see table 2-2, paragraph o) or subsurface exploration, related to defending against contract claims, and management of government furnished equipment/government furnished materials (GFE/GFM) when its installation is not included in the construction contract. These extraordinary cost will be charged directly to the project and not to the flat rate S&A accounts.

f. Safety and occupational health. These costs are normally charged to the district G&AO account. However, technical services readily identifiable with a specific project may be charged to the S&A account provided that technical support (1) is mandated by USACE requirement (excluding ordnance and explosive and chemical warfare material safety support; i.e. UXO safety specialist); and (2) has been requested and coordinated with the CM. ER 37-2-10, Chapter 24, provides detailed information.

g. Damages assessed to contractor. These are generally liquidated damages assessed during construction contracts that usually result in a credit to project construction funds and/or S&A account(s). This category is used primarily as an accounting element rather than as an activity. Liquidated damages for delayed performance attributable to increased S&A expenses will be credited to the appropriate S&A account. Liquidated damages attributable to other expenses incurred by USACE activities or our customers will be credited to the appropriation that funded the other expenses. "Other damages" include actual damages which may be assessed against a construction contractor or Architect-Engineer (A-E). (See ER 715-1-20 for a discussion of recoverable damages that may result from deficiencies in A-E performance. Actual damages cannot normally be collected when liquidated damages have been specified. The balance of damages in excess of increased expenses must be deposited into the General Fund of the U.S. Treasury, as Miscellaneous Receipts.

2-4.. Departmental Overhead (DOH) (Formerly "Technical Indirect Overhead"). These are expenses not charged directly to projects. DOH costs are distributed to each project using direct labor as the distribution method, i.e., for each project a percentage is added to the direct labor costs to recover the technical division's costs. This percentage is in addition to the labor burden. The new standardized indirect charging policy in EC 37-1-261 is that these costs will not be charged directly to projects or to the flat rate S&A accounts, if they support or benefit multiple projects. The general assumption is that many of the listed costs may be caused by an individual project but

employees and equipment are readily moved between the various projects worked on by an office. A detailed list of items that must be charged to departmental (including area/resident office) overhead accounts is contained in EC 37-1-261. ER 37-2-10, Chapters 22 and 26 will be updated to incorporate the new policy. Since charging these costs to an indirect account is mandatory, all employees and organizations must have a departmental or area/resident office overhead account. Some of the more common indirect costs include:

- a. Permanent change of station (PCS), including travel
- b. Voluntary Separation Incentive Pay (VSIP)
- c. All costs for conferences, training, and professional seminars including tuition, labor and TDY cost, even if taken for a specific project. The knowledge gained will benefit the employee in future project works.
- d. Building maintenance and operations, including rent and utilities (See Chapter 8 for information concerning the rental or acquisition of field offices.)
- e. Motor pool/vehicles lease/rental, maintenance cost unless it is a one time trip to specific project site, the direct charge is allowed.
- f. Administrative or "overhead" labor expenses that cannot be identified with a specific project and must be distributed to the projects managed by an office.
- g. Office equipment and supplies: Expendable items under \$25,000 which support more than one project. (See Chapter 9 for items over the capitalization limit (\$25,000.)
- h. Transportation, communication, printing and reproduction, equipment maintenance, ADP, and other contractual services.
- i. Labor consisting of the time worked on a specific project if less than 15 minutes (See direct-charging rule, ER 37-2-10, Change 88, paragraph 6a(3), 15 minute rule), or labor of the technical division's executive or administrative staff, or labor of performing staff supervision, office administration, or general secretarial support activities, or labor of an employee performing other work not chargeable to a specific project. Typical specific, non-project charges to departmental overhead (DOH) include:
  - (1) Supervisory and administrative personnel and support;
  - (2) Permanent change of station travel;
  - (3) Various personnel-related actions and costs, e.g., incentives, awards, performance plans and evaluations, rating panels, commendations/awards;

- (4) Training and attendance at professional seminars;
- (5) Attendance at staff meetings, conferences and hearings, staff visits; travel for temporary duty;
- (6) Preparation of reports and other construction-related reports and briefings, which include multiple projects, or are not project specific;
- (7) Management and manpower surveys, preparation of pamphlets, and revision of regulations;
- (8) Responding to congressional inquiries of a general construction nature (charge those related to a specific project as Technical Management);
  - j. Equipment ownership, vehicle, and equipment maintenance for the office
  - k. Expendable, minor equipment, IT equipment used in the office but not attached or imbedded in a project;
  - l. Supplies, materials, and expendable items for the "department" (charge those from central "free issue" supply rooms to G&AO);
  - m. Software and site licenses for computer software including Resident Management System (RMS);
  - n. Charges for printing, communications, and visual information;
  - o. Centralized activities benefiting a single organizational element;
  - p. Support contracts and revolving fund facility account charges;
  - q. District quality control plan preparation and administration;
  - r. District support for quality management reviews (QMRs), command staff inspection or design and construction evaluations (DCEs).

2-5. Area/Resident (Field) Office Overhead. This consists of general activities and costs for the operation of construction field offices. (See preceding paragraph for a description of the costs.) Effective FY 00 area office accounts will no longer be used. The only exception is for OCONUS location (i.e. Puerto Rico and Saudi Arabia) doing work not subject to the military flat rate.

2-6. District Overhead Activities and Costs. District G&AO offices provide support to

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the technical divisions and perform other required functions not directly chargeable to specific projects. G&AO offices are not generally permitted to charge directly to projects or S&A flat rate accounts. G&AO costs are first accumulated in appropriate accounts established by the Resource Management Division. The costs are distributed as additions to direct labor charges. The method of cost distribution is explained in ERs 37-2-10, 37-345-10 and EP 37-1-4 which deal with accounting procedures and policies.

**TABLE 2-1  
PRE-AWARD ACTIVITIES**

1. Pre-award S&A activities which should be charged to the S&A account.
  - a. Conducting site visits for bidders.
  - b. Planning and staffing for new project, if not charged to an indirect account.
2. Pre-award activities that should be charged to accounts other than S&A.
  - a. Determination of the liquidated damages to be included in the contract.
  - b. Estimate of contract duration, including determination of adverse weather days.
  - c. Construction personnel input to the PMP.
  - d. Reviews and analyses of plans and specifications beginning during project planning or concept design; to include biddability, constructibility, operability, and environmental (BCOE) reviews of design documents, BCOE back checks, and certifications.
  - e. Participation on A-E Pre-Selection Board.
  - f. Assistance with orientation of designer(s) and conferences of construction staffs to establish construction sequence, etc., with design personnel, and to become familiar with design requirements.
  - g. Assistance with preparing acquisition plans, including small business plans.
  - h. Assistance with preparation of contract clauses.
  - i. Obtaining necessary leases, permits and similar project-related actions before contract award.
  - j. Activities having to do with bid openings.
  - k. Assistance by construction personnel with negotiations for award of construction contracts
  - l. Processing the RFP: Preparation/evaluation/source selection.
  - m. Pre-qualification of bidders for construction contracts.

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- n. Performance of technical portion of Pre-Award Survey by CM staff.
- o. Development of scopes of work for Indefinite Delivery and Quantify (IDQ) and other similar types of contracts.

**TABLE 2-2  
POST-AWARD ACTIVITIES**

1. Post-award activities which should be charged to the S&A account (except as noted) consist mainly of project management, contract administration, and QA activities. These activities occur from award to fiscal close out and including but are not limited to:

- a. Reviews of insurance certification and bonding.
- b. Preparation of and execution of QA plans.
- c. QA sampling and testing of materials during construction (excluding sampling and testing to verify design assumptions such as chemical sampling during removal actions) to determine suitability and compliance with plans and specifications; estimate of material/work quantities, including any required measurements or calculations by Government personnel.
- d. QA/quality control (QC) coordination meetings.
- e. Review of QC three-phase inspections and tracking of deficiencies. Quality verification/surveillance of contractor's QC system. Review of contractor QC reports; preparation of QA reports. Inspections and surveys ensure that construction is performed in compliance with plans and specifications, including verification of layouts, benchmarks, etc.
- f. Pre-construction conferences.
- g. Oversight of relocation, whether temporary or permanent of building occupants.
- h. Review, approval and enforcement of contractor submittals required by contract clauses, e.g., health and safety plan, demolition plan, submittal register, warranties, plan for environmental safeguards, etc., (not including contractor shop drawings reviewed by the designer for Government approval).
- i. Review and approval of construction schedules and progress charts/NAS prepared by construction contractors. Conferences with contractors to coordinate project features; enforcement of compliance with schedules.
- j. Review and monitoring of SF 1413.
- k. Review and enforcement of contractor laboratory certifications.
- l. Contract administration in association with modifications to contracts. Preparation of drawing, sketches, specifications, and government estimates by the

designer are chargeable to DDC not S&A.

m. Indefinite delivery/Indefinite quantity (ID/IQ) construction contracts. For ID/IQ construction contracts the terms “pre-award” and “post-award” activities should be viewed in terms of individual task orders. Individual task orders that include both incidental design services and construction should be viewed as mini-design-build contracts and subject to the policy for design-build contracts described below.

n. Design-build contracts. The S&A rate for design-build contracts is applied to the entire contract amount. During the design phase of the project (which may be accomplished in a fast-track mode wherein certain elements of work may be designed and constructed before other elements) design review activities by construction personnel are to be charged to other funds than S&A funds. (For MILCON projects, either planning and design (P&D) or project funds will be used. The decision on funding source for these activities must be made prior to award of the design-build contract and documented in the PMP.)

o. Resolution of contract disputes and claims, to include cost of Government personnel, other administrative costs, and expert witnesses (when not available within the CM organization). Expert witnesses and outside legal services which are used primarily to provide credible and unbiased testimony to defend against contractor claims will be paid by customers from appropriate project funds and not charged to the flat rate S&A accounts. Customer approval of these “risk management” cost should be obtained before the government is committed to the cost.

p. Labor-related items: Ensure Davis-Bacon Act compliance, conduct labor interviews, reports, and other labor-related activities.

q. Management of contract funds, preparation of funds requested by CM.

r. Management of contract schedules, progress charts, and reports.

s. Review and processing of progress pay estimates, verification of bid item quantities.

t. Processing routine document transmittals by CM.

u. Preparation of construction contractor and final A-E performance evaluations.

v. Management of contracted S&I services, e.g., third-party supervision and quality assurance of construction. This includes health and safety personnel for hazardous, toxic and radiological waste (HTRW) projects.

w. Performance of actions related to default or termination of a contract by CM.

- x. Supervision and/or QA of systems start-up, primarily for environmental restoration projects. S&A of operations and maintenance (O&M) activities are not normally covered by the S&A flat rate. Actual cost will be charged to the project for these activities.
- y. Obtaining or provision of necessary technical guidance (i.e., technical manuals, standards, circulars, expert services, etc.)
- z. Responding to routine request for information (RFI) and clarification of the plans and specifications requested by contractors. Designer's efforts in responding to RFI and clarification that are of a design nature or affect critical aspects of the project will be charged to DDC not S&A.
  - aa. Routine coordination among Corps personnel, project sponsor and user(s); when extraordinary effort is necessary, charges should be made to accounts other than S&A.
  - bb. Preparation and review of the construction daily log, including routine safety inspections and comments.
  - cc. Pre-final and final inspections, and transfer of facilities to owner, with proper documentation. Verification of complete correction of final deficiency list (punch list).
  - dd. Review of operations and maintenance manuals.
  - ee. Photography/videotapes for progress reports.
  - ff. Review of "as-built" drawings prepared by the construction contractor.
  - gg. Warranty enforcement, including four-and nine-month inspections.
  - hh. QA of site closure and post-construction maintenance, especially at environmental restoration projects.
    - ii. HTRW testing and chemical analysis to determine nature and extent of contamination, HTRW construction documentation reports, including chemical and geotechnical data management, well logs, embankment criteria for design purposes are chargeable directly to the project.
  - jj. Financial closeout of contracts.
  - kk. Review and management of potential A-E responsibility action cases by construction personnel. Once determined to involve A-E responsibility, the S&A

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account may no longer be charged and Government effort to recover damages will be funded from project funds/construction contingencies.

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

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

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

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

a. All projects within a given category are charged the standard flat S&A rate, unless a deviation is specifically approved by HQUSACE (CERM-P). If a deviation is approved, the new rate would apply to all construction placed after the effective date of the change. The rate is multiplied by the placement of each contract and the resulting income is credited to the appropriate account. Expenses for the month are deducted from the income, and the net gain or loss is transferred to the Corps-wide central accounts which are maintained at the UFC. The accounts are structured based on appropriation to group together categories of work which require similar S&A effort. For example, all military construction Army, Navy, Air Force, etc., are charged at the MILCON rate, and all DOD repair and maintenance work (except JOC) is charged at the O&M rate.

b. The applicable flat rates are re-evaluated on an annual basis and are applicable for all DOD projects performed by the Corps. The flat rate system operates on the assumption that S&A costs for some projects will be higher than the S&A income generated, but will be offset by other projects which will have higher income than costs. In the aggregate, all work within MSC will be performed within the S&A targets/ceilings rate established by HQUSACE (CERM-P).

c. MILCON flat rate account (RF 65). Table 3-1 shows a list of appropriations subject to the MILCON flat rate S&A account (currently two separate flat rates apply, 5.7 percent for CONUS and 6.5 percent for OCONUS). This is done to account for the generally higher cost of doing business overseas. This account includes those projects defined as MILCON by AR 415-15, Military Construction Program Development and Execution, and other appropriations with similar projects.

d. O&M flat rate account (RF 66). Table 3-2 has a list of appropriations subject to the O&M flat rate account. The O&M account has two sub-accounts O&M and Defense Environmental Restoration Program (DERP). Current rates are 6.5 percent CONUS O&M, 8.0 percent CONUS DERP and OCONUS O&M, 8.5 percent OCONUS DERP. O&M rates are generally higher than MILCON rates, reflecting experience that S&A effort for repair and maintenance type work is generally greater than for new construction.

e. Rapid response flat rate account (VW 68). This S&A account is for the use of the Omaha District to perform work under the Rapid Response Program for environmental remediation actions at hazardous, toxic and radiological waste sites. S&A is collected at a rate of 10 percent for the first \$4 million of a project and 6.5 percent for all construction cost over \$4 million. All types of appropriations may be used to obtain "rapid response" services: military, CW, Environmental Protection Agency (EPA), SFO, etc. unless specifically prohibited by law. Rates are reviewed annually by CENWD and any change in rate or S&A waiver will be approved by HQUSACE (CERM-P).

### 3-3. Procedures for Corps-wide Construction S&A Management.

a. Management of the flat rate accounts is centralized at HQUSACE, Deputy Chief of Staff for Resource Management (DCSRM). The goal of the uniform flat rate accounting procedure is to manage the construction S&A accounts on an overall break-even basis, so as to preclude refunds or surcharges to our customers. Except for a modest working balance of three to four month's operating expense, the accounts are managed so as to minimize significant gains and losses at any given time. The working balance is to cover loss of income during a CRA or short term moratorium, program, regional and seasonal variation, and to assure funds are available to cover post construction, closeout cost, and to demobilize on-site construction staff. Cost for a total demobilization of the Corps or a long-term moratorium are a unfunded Army liability due to the low probability and high cost.

b. Under the new concept for S&A Regionalization MSCs are given management responsibility for a portion of the central S&A accounts. The MSCs will be allowed to use these funds like the own personnel "checking accounts" starting in FY 00. Starting balances (equivalent to approximately one months scheduled expenses) have already

been determined and gain and losses from FY 99 and future years will be added to their accounts. MCSs will develop multi-year plans to manage S&A within the funds allocated. Season variation and gains and losses between the O&M and MILCON accounts will be covered by the HQ central reserve to maximize the MSCs flexibility to make long term investments and decisions to most efficiently respond to the cyclic nature of construction. Within the funds available in the MSCs account the MSC can manage S&A under the S&A "target" management philosophy where the S&A expense rate must be close to the charged rate but can vary and exceed the charged rate. This allows MSCs to plan an S&A operating budget that provides customer with the full level of service they are paying for without fear delays in construction placement will cause them to slightly exceed their S&A targets/ceilings. Significant variations as defined below will be reported immediately to the S&A accounts manager in CERM-P immediately. The notice shall include a full explanation of the circumstances and corrective steps to be taken to get back within the rate targets/ceilings.

(1) At the MSC level, should there be a fluctuation in either income or expenses which will cause the MSC to exhaust it's "checking" account in the current or succeeding 3 years.

(2) At the MSC level, should there be a fluctuation in either placement or expenses which will cause the MSC to vary significantly from the year end S&A targets/ceilings. Since a percentage variation in the MILCON account has a larger dollar impact than the same percentage variation in the O&M account each type of work has different percentage for "significant variation": MILCON plus or minus 0.3 percent, O&M plus or minus 0.4 percent, and DERP plus or minus 0.6 percent. (See Chapter 7 for additional reporting requirements.)

c. Procedure for establishing military S&A targets/ceilings for MSCs.

(1) Each FY, MSCs with military projects are required to submit placement, income, and expense estimates for the next three FY to HQUSACE (CERM), in coordination with CEMP-M. These placement and expense estimates are used to establish S&A targets/ceilings (rates) for each MSC. Currently, the workload projections provided for the annual Corps of Engineers Resource and Military Manpower System (CERAMMS) manpower submission are used to reduce the number of data calls to MSCs.

(2) HQUSACE establishes the construction S&A rate targets/ceilings for each MSC. Factors considered include: changes in workload, start up and close out cost, area cost factors, average fully burdened salary, budget constraints, current placement and expenses, accuracy of previous estimates of placement and expenses, size and complexity of program, manpower resources allocated, OCONUS costs, personnel benefits costs, and other relevant items. Upon completion of this evaluation, HQUSACE issues construction S&A rate targets/ceilings to the MSC by the beginning of

the new FY. The S&A targets/ceilings are currently provided as part of the consolidated command guidance (CCG).

(3) The assigned targets/ceilings are generally based on a percentage of the projected placement for MILCON, O&M and DERP projects. MSCs are responsible for further assignment of targets/ceilings to their districts. The MSC's regional business center (RBC) will manage the assignment of S&A targets/ceilings to the districts considering factor discussed in the previous paragraph. Throughout the year, MSCs shall require a monthly schedule of placement and expense from each district, showing how each district plans to stay within its assigned targets/ceilings. Military projects performed with "at-cost" rates are not included in these targets/ceilings but also require monthly schedules of placement and expenses.

d. Placement and expense schedules. The MSCs are responsible for monitoring their districts' progress in meeting the assigned targets/ceilings (within the acceptable range defined in paragraph 3.3.b.) and reviewing the monthly reports of placement and expenses. If income changes, adjustments in expenses must be considered. In general, decreases in S&A costs will be made to commensurate with shortfalls in placement to maintain the assigned S&A targets/ceilings. Conversely, when placement increases, additional costs will normally be required to properly manage the construction. MSCs may allow fluctuations among their districts at a level that does not jeopardize their ability to provide a quality product. Due to economies of scale districts with large workloads will normally have lower S&A targets/ceilings than those will smaller workloads.

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

f. Authority to deviate from prescribed rates. For military projects, all construction S&A rates are established at HQUSACE in coordination with DOD. The established rates are based on the assumption that all eligible projects will be performed at that rate; therefore, MSCs are not authorized to negotiate separate rates for projects covered by flat rate accounts. Use of a lower S&A rate in order to maintain a current working estimate (CWE) within the programmed amount is not normally permitted. As a rare exception, deviations from the flat rate must be approved by HQUSACE (CERM-P) in advance of agreement with the customer.

3-4. Military Projects Not Subject to Uniform Flat Rate. (See Table 3.3.) Some military projects are charged to S&A at actual cost (See Chapter 4). Most military work not subject to flat rate charges is work for non-appropriated funds or foreign Governments. Job order contracting (JOC) performed for installation is also done at cost. Ordnance and explosive waste (OEW) performed by HNC or by separate contract is normally done at cost. OEW work done as part of an construction contract is normally done at the appropriate flat rate. Safety office involvement in OEW work is not covered by the flat rate and is to be charged directly to the project.

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

(CERM publishes Treasury Department Appropriation Codes. The current S&A rate for all flat rate S&A work is contained in the CEFMS S&A Table. Contact CERM-P for new military Appropriation Codes)

**Title**

Procurement, Defense Agencies  
Military Construction, Defense Agencies (e.g., Communications, Intelligence, Logistics, Mapping, Medical, Nuclear, Dependent Schools (DODDS), etc.)  
North Atlantic Treaty Organization Infrastructure, Defense Military Construction, Reserve Components General, Defense Military Construction, Troop Support Agency Base Closure Program, Other

MILCON, Navy  
MILCON, Naval Reserve  
Base Closure Program, Navy  
Procurement, Marine Corps

MILCON, Army  
Base Closure Program, Army  
Procurement of Equipment and Missiles, Army  
Procurement of Ammunition, Army  
Aircraft Procurement, Army  
Army Family Housing (Construction)  
Procurement of Weapons and Tracked Combat Vehicles, Army  
Army Management Fund

Missile Procurement, Army  
Production Base Support

MILCON, Army Reserve  
Army Reserve Training Centers  
MILCON, Army National Guard  
Army National Guard Equipment

Quality of Life Enhancements, Defense

MILCON, Air Force  
Base Closure Program, AF  
MILCON, Air Force Reserve

MILCON, Air National Guard  
Missile Procurement, AF  
Aircraft Procurement, AF

**TABLE 3-2**  
**Appropriations Subject to DERP, Rapid Response and O&M Flat Rate**

(CERM publishes Treasury Department Appropriation Codes)

**Appropriations Subject to O&M Flat Rate**

**Title**

O&M Defense Agencies and Dependents Schools O&M for Troop Support Agency  
Defense Business Operations Fund (DBOF)  
Real Property Maintenance, Defense (RPMD)  
RDT&E, Defense Agencies

O&M, Marine Corps Reserve  
O&M, Army National Guard  
O&M, Army Reserve

O&M, Navy Reserve  
O&M, Air National Guard  
O&M, Air Force Reserve

O&M, Navy (except dredging)  
O&M, Marine Corps  
RDT&E, Navy

Weapons Procurement, Navy  
Navy Stock Fund  
Other Procurement, Navy

O&M, Army  
Other Procurement, Army  
RDT&E, Army  
Family Housing O&M, Army

O&M, Air Force  
Other Procurement, Air Force  
RDT&E, Air Force  
Air Force Management Fund  
Family Housing O&M, Air Force

Note: Defense Business Operating Fund has replaced Marine Corps, Navy, Army, and Air Force Industrial Funds. JOC and other non-construction activities are charged actual cost.

**TABLE 3-2 (cont)**

**Appropriations Subject to DERP Flat Rate**

**Title**

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

**Appropriations Subject to Rapid Response Flat Rate**

Rapid Response Program for Hazardous & Toxic Wastes (RF68). Projects in this program charge a flat rate for S&A (currently 10 percent for the first \$4 million and 6.5 percent for cost over \$4 million). The rate applies to all projects and appropriations. Rapid response is used primarily for military installations, DERP, CW, and EPA Superfund. Other charges to cover acquisition and procurement cost are applicable. The Omaha District can provide additional information on these costs.

**TABLE 3-3**  
**Appropriation Not Subject to Uniform Flat Rate S&A**  
**(The following are not all-inclusive)**

(CERM publishes Treasury Department Appropriation Codes)

**Title**

Corps of Engineers Civil Works Activities: New Construction, Operations & Maintenance, Plant Replacement and Improvement Program (PRIP), Mississippi River and Tributaries, and  
Waterways Trust Fund  
Military Construction for U.S. Forces OCONUS, When Funded by Host Nation  
Emergency/Wartime Mobilization Exercises  
Disaster Recovery Operations  
U.S. Soldier's and Airmen Home  
Pentagon Renovation,  
Non-MILCON Funds for Chemical Demilitarization Program  
Cemetery Expenses, Army (Arlington National Cemetery)  
Foreign Military Sales and Assistance Programs  
Foreign Government Construction & Engineering  
Environmental Protection Agency Projects and Support for Others (except Rapid Response Program)  
Civil Defense Activities  
Support of non-DOD Federal Agencies/Activities  
Support of Other Governmental and non-Governmental Activities, e.g., States, Municipalities, Commercial Firms, and Individuals  
Job Order Contracting (JOC), Time & Material Contracts (TMC), OMEE, and contracts for operation services and functions  
Non-Appropriated Funds Activities  
Dredging for Navy and Other DOD Customers.

## CHAPTER 4 MANAGEMENT OF MILITARY CONSTRUCTION “AT-COST” SUPERVISION AND ADMINISTRATION

4-1. General. This chapter provides guidance for the management of S&A costs for those military-funded projects where actual S&A costs are charged "at-cost".

4-2. Sources of Income for S&A Services. Construction funds are used to pay for actual S&A costs directly. It is the responsibility of the PM to ensure that the amounts charged are adequate to pay for all direct and indirect S&A costs. If liquidated damages for S&A are collected, these funds may be used to re-pay the costs of additional S&A costs incurred. Any amount beyond this is credited to the "miscellaneous receipts account" or returned to the customer, as appropriate. (See accounting regulations for additional information)

4-3. S&A Costs and Estimates.

a. Estimates of actual costs to be incurred during the life of the construction project are established during the baseline budget process and are included in the PMP. These estimates include all direct and indirect costs associated with the performance of S&A for construction.

b. Costs associated directly with the accomplishment of S&A activities will be charged to the project using the appropriate S&A cost account. The PM team will compare monthly the actual costs to the baseline estimate and will take appropriate corrective action, if an unacceptable deviation occurs.

4-4. Review of S&A Costs. Districts and MSCs shall review actual S&A costs on a monthly basis and compare them to the schedule. HQUSACE will review S&A cost reports by MSCs and districts. The ability of districts and MSC to manage its workload and the size of its workforce within its budgeted S&A income is an important element in its overall performance rating.

4-5. Examples. Examples of military appropriations whose projects are charged "at-cost" S&A are listed in Chapter 3, Table 3-3. The most common examples of military appropriations are Non-Appropriated Funds and Foreign Military Sales. In special cases, most other military appropriations may have construction performed with "at-cost" S&A charges; generally, this requires special approval from HQUSACE (CERM-P). Examples are chemical demilitarization facilities, Pentagon renovation, other facilities constructed with innovative technologies, and facilities in locations presenting unusual physical and/or logistical requirements.

## CHAPTER 5 OVERVIEW OF ACCOUNTING FOR CONSTRUCTION COSTS; OTHER S&A AND CONSTRUCTION-RELATED INFORMATION

### 5-1. Purpose.

a. This chapter provides managers with an overview of DOD, DA, and USACE requirements for accounting and capitalization of military construction costs. It also discusses several S&A and construction-related items which do not fall within the scope of the other appendices.

b. The General Accounting Office (GAO) and DOD require that the total costs of a construction project be accounted for and recorded in the owning service's real property records. This is to assure an accurate valuation of the facility(ies) after construction and/or other work has been completed. The Corps is required to provide this information to its customers at the end of a project, particularly to military and other federal departments and agencies.

c. The total capital cost of construction reported in transfer documents shall consist of the costs of design and engineering, procurement, construction, S&A, and Base Civil Engineer (BCE) contributions, "unfunded costs", and any other costs recognizable as adding to the value of the facility(ies)/assets. Lost design and design breakage are to be expensed and not capitalized since they do not contribute to the value of the project. Guidance on this subject is provided below. CERM-F is the source for detailed guidance and procedures relating to the actual accounting.

### 5-2. Capitalization and Construction-in-Progress (CIP) Accounting Policy

a. USACE has implemented the concept of capitalization promulgated by DOD that recognizes that the total costs incurred for the construction or acquisition of a capital asset will be recorded and included in the capital asset records of the organization which manages it. Not included are costs incurred in the advance planning, programming, and budget phases. These costs are considered as expenses and are generally paid by operating funds, e.g., military O&M. Nearly all costs above district level, e.g., MSC and HQUSACE, are considered as an expense, in contrast to those for districts whose efforts/costs are considered as project investments. Due to the difficulty of distributing cost, some centralized activities are expensed. These include guide specifications development, standards and criteria, standard designs, etc. The accounting and related cost/work breakdown structure are the responsibility Project Delivery Team, especially the PM and the RM members.

b. The concept of investment (capitalization) versus expense has shaped government accounting policy and procedures. **(Below is an overview of policy that has been formally or informally disseminated in various documents.** It will be incorporated in appropriate accounting regulations at a later date.)

(1) For capitol investment appropriations (MILCON, BRAC, CW Construction General, MR&T Construction, etc.) cost are normally recorded in the Construction-in-Progress (CIP) general ledger. The costs of activities which do not ultimately result in creating a capitol asset it should expensed and not be recorded in CIP. The CEFMS work item classification default will have to be changed from "1- ACQUISITION/CONSTRUCTION (CIP)" to "C- CONSTRUCION EXPENSE (EXP). To get this screen select: "ASSET/FACILITY MANAGEMENT, MILLITARY/CIVIL FIXED ASSETS, CREAT/CASSIFY ASSET WORK ITEM". Examples of cost to be expenses are: standard designs; design criteria development funds; all environmental remediation/clean-up; CW continuing authorities studies; CW dredging/excavation of existing channels and all ports and harbors; beach replenishment; removal of trees, brush, accumulated snags drift debris, water hyacinths and other aquatic/vegetable growths from canals, channels, harbors, ports and waterways; Section 202 non-structural activities; reconnaissance studies and special project reports. Design cost and S&A cost associated with these items should also be expensed.

(2) Design cost that does not contribute to asset value such as lost design should be expensed and removed from CIP upon final determination.

(3) Design cost that does not result in a construction project should also be expensed. When project is cancelled the CIP should be expensed. If the project is inactive for three years the design cost should be expensed since it is unlikely to ever be built. If the project is later built and the design used the transaction can be reversed to include this cost as part of the asset's value.

c. After project completion and transfer of assets to the customer/sponsor, the project cost is to be removed from the Corps' "Construction in Progress" General Ledger Accounts to prevent double counting of assets. Immediately upon completion of both the interim and final DD Form 1354/ENG Form 3013 (CW projects), transfer documents, the Project Delivery Team will assure copies are provided to the RMO to allow timely updating of the general ledger accounts. The PM is responsible for overseeing this process, returning excess funds to the customer, and financial close-out of the project and cost accounts.

d. Military projects and military SFO.

(1) Guidance is provided in AR 37-1, Chapter 18, and ER 415-345-38 provides detailed procedures concerning transfer of completed construction and preparation of DD Form 1354.

(2) Upon completion of a project, the responsible district shall report all costs incurred during design, procurement, and construction to the military customer. This is generally done at the time of transfer with DD Form 1354 and other appropriate documentation. Often interim and final versions are prepared, in which case the final version must contain the complete costs. Costs of claims, some of which may not be settled until years after completion of construction, must be added to the total. Every

time a DD Form 1354 is provided to the customer/owner, the appropriate district RMO shall be notified. This is necessary to ensure prompt updating of the CIP general ledger account and the customer's real property records. The DD Form 1354 will normally be used for O&M funded project since the cost may have to be recorded on the customer's real property records. These cost are recorded in the Corps Work in progress (WIP) general ledger. Cost recorded in the WIP are automatically expensed and do not have to be transferred out. A new clean copy of the DD 1354 will be prepared for the final DD 1354, marking-up the interim is not acceptable since this is the final accounting to the customer and the official supporting document for their project value and cost.

e. CW and non-military SFO. The total costs of completed CW projects must be accounted for in a process similar to that for military projects. Normally, planning and pre-design costs are not considered project costs, even when funded from the same appropriation used to construct the project. Even those projects that are Federally operated and maintained typically involve cost-shared construction. An example is navigation projects that use either Federal funds, non-Federal funds, or Inland Waterway Trust Fund receipts.

(1) Upon completion of such projects, an accurate accounting-of pre-construction engineering and design, construction, design, DDC, and contract S&A costs incurred by the Corps must be furnished to the non-Federal sponsor. This requirement is included in the project cooperation agreement executed by the Department of the Army and the non-Federal sponsor that obligates the latter to pay a percentage share of these costs. For those inland navigation projects which are cost-shared with the Inland Waterways Trust Fund, no formal agreement is executed for construction; the Inland Waterways Users' Board, acting in lieu of a non-Federal sponsor, is kept informed of project costs as work proceeds.

(2) Planning and pre-design costs for most types of CW projects are also typically cost-shared with a non-Federal sponsor, but at a different percentage shared. Although they are generally not capitalized, such costs must be accurately accounted for, since they are subject to a separate, formal, cost-sharing agreement.

(3) For non-military SFO activities, which may or may not involve construction, a similar written agreement with the non-military funding agency specifies the acceptable method of accumulating costs.

5.3. MILCON Construction Costs. Most construction costs for military projects are subject to the application of S&A. The appropriate costs should appear in the project's CWE and will be updated as necessary. (See paragraph 4). The construction-related costs include, but are not limited to:

a. All materials, supplies, contract labor, and other services applicable to construction (usually combined in a contract). All are subject to S&A charge.

b. All items of installed capital equipment not otherwise funded by MILCON (paid by

the sponsor's or installation's O&M or Research, Development, Test and Evaluation (RDT&E) account).

c. Transportation costs applicable to materials, supplies, installed capital-type equipment, and Government-owned equipment are subject to S&A.

d. Direct labor costs of construction apart from the primary construction contract, including construction units composed of foreign nationals, but excluding U.S. military labor. (S&A flat-rate costs are not applied to any in-house labor charges by Corps personnel.)

e. That portion of installation overhead or support costs that can be identified as representing additional costs that were incurred, were it not for the project are not subject to S&A.

f. Administrative Military Interdepartmental Purchase Requests (MIPR) that are solely for the purpose of transferring project funds for utilities used during construction will not be subject to the S&A flat rate. S&A will be taken on all other MIPRs unless they are primarily for in-house services from other Corps organizations.

g. S&A cost related to the primary MILCON contract are charged to project construction funds through the appropriate S&A account. S&A costs incurred for other construction-related activities (e.g., GFE, categories E and F equipment) are generally charged to the project customer's/sponsor's or military installation O&M funds at actual cost (exempted from flat rate).

h. Costs applicable to the O&M Government-owned equipment are chargeable as a construction cost computed on an hourly rate (not subject to S&A, unless USACE personnel perform related S&A functions, e.g., supervision, coordination, training).

i. Unfunded costs consist of the effort, materials, and supplies used in support of construction which are paid from appropriations used for other than MILCON which are not reimbursed by appropriations used for other types of military construction work, e.g., OPA, Operations and Maintenance, Air Force (OMAF), RDT&E. Additional information, including how to charge S&A, is provided later in this section.

5-4. Efforts Financed By Other Than MILCON Appropriations. Quite often a major project financed by MILCON funds is combined into a contract with one or more project or work item paid from different funds which are provided by the sponsor or installation. Also, many military projects constructed by the Corps are financed entirely with non-MILCON funds. CMs need to be familiar with the following information when dealing with military clients. For MILCON projects, DD Form 1391 summarizes items paid by these funds. Most of the items below may be financed either with MILCON or non-MILCON funds. Specific details and guidelines not covered below should be referred to AR 415-15 and to the PM. The actual charging of S&A is performed by CERM, in coordination with guidelines provided by the PM and the chief of construction.

a. Projects other than MILCON and Family Housing: When the funded cost of a project is less than the amount specified by law (currently \$500,000), the project will be financed from O&M Appropriations.

b. Equipment and funding.

(1) Movable equipment are items of equipment that are movable in nature and are not affixed as an integral part of a facility. This equipment includes all types of production processing, technical, training, servicing, and RDT&E equipment.

(2) Detachable equipment is operational equipment for which installation mountings and connections are provided in the building design, and which is detachable without producing damage to the building or equipment.

(3) Both types of equipment may be financed from applicable O&M, RDT&E, procurement and Defense Business Operating Fund (DBOF) or MILCON appropriations. Cost of alterations to install or relocate this equipment shall be financed from the same appropriations.

c. Funding of alterations such as:

(1) Prefabricated screens, partitions, platforms, and shields for electromagnetic radiating services.

(2) Temporary removal and re-installation of portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment.

(3) Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry or source of utilities into the structure and the equipment to be served.

d. Family Housing. All such projects shall be funded from applicable Family Housing Appropriations. Guidance concerning Family Housing efforts is addressed in DOD Instruction 7150.6 and applicable Air Force, Navy, Army Regulations, e.g., AR 210-50.

e. Pollution abatement, energy conservation, and occupational safety and health activities. Projects for these activities may be funded from other than MILCON appropriations, when the cost of a project:

(1) Is funded from the proceeds of sales of recyclable material in accordance with 10 USC 2577, DOD Instruction 7310.1, and applicable Army, Air Force, or Navy regulations, or

(2) Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects.

f. Unfunded costs are effort, materials, and supplies used in support of MILCON work which are financed by appropriations other than MILCON and not reimbursed by the other appropriations available for MILCON, described previously. However, such costs must be capitalized as part of the value of the real property investment. If the Corps incurs S&A costs related to unfunded costs, the installation or project customer/sponsor should be charged, typically using appropriations such as O&M, RDT&E, procurement or DBOF funds. Examples of commonly unfunded costs are:

(1) Costs financed from military personnel appropriations, e.g., salaries (troop labor).

(2) Costs applicable to the depreciation of Government-owned equipment in accordance with hourly rates. (See applicable USACE publications, e.g., EP 1110-1 series.)

(3) Gifts from private parties.

(4) "Free Issue" materials, supplies, and items of installed capital equipment that have been obtained specifically for a project on a non-reimbursable basis, either as excess distributions from another military department or defense agency or as excess distributions from other Government agencies. Items obtained from Property Disposal Offices are typical examples of "free issue".

g. For S&A purposes, unfunded costs are:

(1) subject to actual S&A charges (exempt from flat rate) and are payable from sponsors/installation's operating funds (e.g., "free-issue" equipment, which requires S&A effort or costs for handling, storage and installation).

(2) not subject to S&A charge, e.g., the salaries of military personnel contributing to a project. However, S&A effort to supervise, inspect, and train construction troops is chargeable because of the considerable effort usually expended in connection with troop construction. These S&A costs are to be reimbursed at actual cost, unless an agreement to charge at flat rate S&A was made prior to construction.

h. S&A for Government-furnished equipment and materials (GFE/GFM) paid from other than project funds (non-MILCON). GFE/GFM are equipment and materials purchased by the Government and provided for use in construction or HTRW removal/remedial actions, e.g., gravel, soil, piping, mechanical, or electrical equipment, etc. They are used frequently in MILCON projects and occasionally in CW projects, and may be required for some DERP, EPA, or other HTRW projects. The cost of handling and installation of GFE/GFM is normally included in a contract to pay the constructor for the efforts. The sponsor or user who procured it with non-project funds may provide some or all GFE/GFM used in a project. Since S&A effort by the Corps is usually required for inspection, storage, handling, accounting, etc., the Corps collects additional

S&A from the customer. This is separate from the S&A charges for the primary project and is normally based on actual cost.

#### 5-5. Construction Work Agreement.

a. The definitions of "construction" and "construction project", especially for military applications, are provided in Appendix B. These definitions are found also in ARs 415-15 and 415-35.

b. For purposes of this regulation, a "construction contract," is a formal, legally binding agreement between the Corps and a private firm whereby in return for payment, the firm agrees to furnish all materials, equipment, labor, supervision, and other necessary services in order to provide specified end products or facilities, and/or to accomplish specified other work. From a financial point of view, a contract can be treated as an account in which all the contractor's costs are consolidated, usually at a fixed price - the contract amount. The contractor's QC is included in this amount; the Government's quality assurance (QA) is charged as part of the S&A. S&A is applied either as a percentage of the contract amount or as actual costs added to the contract amount. Contract format may include design/construction, service, demolition, and other procurement instruments. Environmental remediable, including Ordnance Explosion (OE) work, is typically performed with service contracts but is considered construction for financial reporting and management.

c. "Placement" is the term used to measure the amount of work accomplished at a given point in time either actual value earned by the contractor or as an estimated amount accrued in the accounting system. It is primarily used to compare actual or scheduled construction accomplishment, and to compute S&A rates and income. "Memo placement" shall be recorded in CEFMS when the payments are made by others (outside the district). This is becoming a more common procedure with the increasing use of direct fund sites.

d. The terms "Primary Facility and Support Facility" are taken from the DD Form 1391 programming document for MILCON projects. These are the principal item(s) of construction, (e.g., a building), and supporting features, (e.g., exterior utilities). They are also often referred to as "permanent features".

e. Although the contracts are not formal, construction projects accomplished by Government forces and managed or coordinated by the Corps are treated similarly to formal contracts. Certain costs paid by non-project funds are not included in the total cost, e.g., military labor or GFM provided by non-project funds. These costs are to be capitalized upon completion of a project, but do not count toward the actual project budget/appropriation. However, they generally are counted for purposes of calculating S&A earnings. The details vary according to the circumstances of the project and need to be determined by the project manager, prior to contract award.

f. Contracts with private sector firms for removal of other remediable HTRW are also

treated as construction contracts, when they require S&A effort by USACE personnel. A considerable amount of HTRW work is performed under service/delivery-order contracts. S&A cost of DERP and Base Realignment and Closure (BRAC) and ER programs are assessed and collected at the DERP flat rate. O&M funded environmental compliance funds and pollution prevention funds are subject to the O&M flat rate. Costs for S&A effort for other non-DOD funded environmental work are assessed and collected in the same manner as for other at-cost projects. If Government forces (e.g., CECPW or BCE personnel) perform the work, materials and other related costs are dealt with as if they were a contract. In those cases where the work is funded/contracted by another agency without Corps involvement in the design or procurement process, but the execution is managed by the Corps, the Corps charges S&A at cost or at the standard flat rate. All work performed under the Rapid Response (RR) contracts will be charged the standard RR flat rate. This may include DERP, CW, work for others, or EPA Superfund projects, as well as some work for States and local Governments.

g. The source appropriation(s), which funds a contract determines the S&A rate(s), to be charged. Several different types of appropriations may be included in a particular contract. Each must be tracked separately due to "color of money" considerations and because different S&A rates usually apply.

h. Determination to whether charge S&A for unusual (outside the contract) construction-related efforts (see paragraph 5-3.f.). Various "other" or "unfunded" costs which may not appear in a CWE are sometimes subject to S&A charges, and sometimes not. If they are in the scope of work in DD Form 1391, S&A charges apply; if not, charges apply if there is a need to expend S&A effort. In questionable cases, the decision should be made when should S&A accounts be sent to the CERM-P manager. In deciding whether to charge S&A for minor efforts, consideration needs to be given to the factors surrounding a project, estimated S&A cost, effort to recover or exclude S&A, and good customer relations.

5-6. CWE Policy for Construction. Policy for construction projects is referred to in HQUSACE (CEMP-MD) memorandum, Post-Award Engineering Services. The policy and procedures described below are general but will vary slightly from program to program. There will also be different procedures to manage the FY 00 MILCON program since congress reduced funding by the contingency amount. It is expected that contingency will probably be reduced from 5 percent to 2 percent for managing these projects. The latest guidance should be attained from the program manager or customer.

a. The CWE is the official value used to establish total project cost using construction funds. Planning and design funds are **not** included. The following procedure and guidance is written primarily for MILCON projects; however, it is to be used for other military-funded projects to the extent applicable. Prior to construction contract award, the district-reported CWE is the most current estimate of the full scope of the MILCON Authorization Act line item as defined by DD Form 1391.

(1) After construction contract award, the district-reported CWE is the most current

estimate of the construction contract amount and associated markups defined below. This is especially critical since it defines how much the project construction cost estimate is above or below the line item amount specified in congressional committee reports or the program amount (PA) and the available funding which is normally different than the PA.

(2) The reporting categories required below are for use in computer applications, for requesting funds from HQUSACE, and for reporting project progress. Categories for the ENG Form 3086, the processor, and other CEMP-E cost estimating processes which require further breakdown are not addressed here.

b. Life cycle primary reporting categories. All district CWE calculations for the project life cycle shall conform to the format listed on the DD Form 1391.

(1) Estimated cost of construction (ECC) at Award.

(a) Primary facility.

(b) Support facilities.

(2) Contingency (a fixed percentage of the ECC).

(3) S&A or CM. Apply the S&A flat rate (5.7 percent CONUS and 6.5 percent OCONUS) to the sum of the ECC and contingency.

c. Further itemization will be necessary to break down separately the CWE into the following:

(1) Funding source. Each funding source must be listed separately by line item and totaled so that the CWE may be compared with the PA. Other funds should be listed in like manner.

(2) Contract. Within each funding source, each construction contract should be reported separately. If a construction contract is to be funded with more than one appropriation, the contract will be listed under each funding source.

(3) Contract phase or part. In addition, there may be special customer or Corps requirements to further breakdown the contract by station, building number, etc. Within each contract there should be itemization by location, incremental construction, and/or incremental funding.

d. Reporting categories at bid opening and thereafter. As a minimum, the three categories of the CWE shall be itemized as indicated below, if the category exists for the contract. (See c(1) through c(3) above)

(1) Award ECC has four possible categories:

(a) Contract cost. Actual award contract cost for all funds to be paid to the primary contractor and the primary contractor's subordinates whether obligated at time of award or to be obligated later. Line item breakouts include the following:

(1) Primary facility

(2) Support facilities.

(3) Additive/optional/alternate bid items. Use the full scope package combination, prior to award. Include known changes (contract options to be exercised with construction funds after award of the basic contract). After award, combine into (a)(1) and (a)(2) above.

(4) Turnkey design. Actual A-E cost (for "Design-Construct" or "Turnkey" only).

(b) Support contracts. Actual award costs for support contracts (Work Orders) anticipated at time of award. List separately. Some examples include the following: GFM, training, start-up operations, interim O&M, preparation of training and operation manuals, utility contracts, local fees, permits, taxes, surveys, soil borings, lab reports, and unusual specialized testing required for construction.

(c) Support direct labor and OCONUS life support, force protection, housing, and support facilities. Estimated labor costs (not subject to S&A) at time of award. This shall include all in-house (labor) costs (not covered under S&A) including commissioning and other support labor (for other items not identified above). NOTE: Preparation of record (as-built) drawings shall be included in new contracts as a construction contract requirement.

(d) Service orders (labor, other organizations). List separately. Some examples include the following: telephone connections, CECPW or BCE work (DA Form 2544, MIPRs, etc.).

(2) Contingency (total to date). This is the amount (normally at award five percent of the award ECC) to fund unforeseen changes such as criteria and customer changes, differing site conditions, quantity variations, user requested changes (both design and construction costs), and all DDC activities after contract award including design costs associated with correction of design errors or omissions. All line items funded from the contingency shall be listed under this category separate from the above categories. After award, this value may increase or decrease from the pre-award established rate, depending upon circumstances. The closeout contingency shall list only funds expended out of the contingency with all unexpended funds being returned to HQUSACE or the customer. After award, the contingency shall be broken down into the categories displayed below if the category exists.

(a) Contingency committed, obligated, or expended. These are funds set up to pay

for DDC or pending/actual changes and are subtracted from the contingency categories below.

(b) Contingency uncommitted (normally 2 percent of the ECC at award). These are funds under the control of the district that have not yet been committed; funds that have been de-obligated as the result of credit modifications, or credits from actions like A-E liability or claim payments.

(c) Management reserve (normally 3 percent of the ECC at award). The management reserve may or may not be allocated to the district at the time of award. These funds are normally controlled by the customer or HQUSACE and shall not be used without specific approval of the customer or HQUSACE, as appropriate. Note: Funds held at HQUSACE or outside the district are not available for obligation until actually received.

(d) Contingency unfunded. Funds required to replace the contingency account should anticipate that changes might be in excess of the total contingency to date established by HQUSACE or the customer.

(3) S&A. This is the S&A flat rate times the ECC plus contingency. This represents a standard Corps rate for the management of all activities associated with project construction funds (ECC and contingency). After award, the amount needs to be divided between the rate on district-controlled funds and uncontrolled funds, i.e., management reserve. CM support services and S&A support contract costs shall be included as part of this flat rate. The closeout S&A shall be the S&A flat rate (applicable during each fiscal year) times the placement expended each fiscal year. Districts are authorized to write off amounts of one dollar or less, unless precluded by regulation or customer request.

e. Amounts not part of the CWE.

(1) Other appropriations listed on the DD Form 1391, but not included in the PA. Some examples are equipment funded with OPA, OMAR kitchen equipment, or Operations and Maintenance, Army Reserve (OMA) funds used for rehabilitation in conjunction with the MILCON line item. These funds shall be displayed separately using the same MILCON CWE format.

(2) Currency devaluation. The dollar value difference is corrected using a "currency devaluation account". The devaluation account provides (and collects) extra funds from many projects and accounts for projects not reflected in the CWE.

(3) S&A actual costs above or below the S&A flat rate. Actual S&A costs are charged against a Corps centralized revolving fund account.

(4) S&A from other appropriations. S&A costs charged to other fund sources shall be in agreement with the customer and may either be at flat rate or "at cost".

(5) P&D funds. For design-build, P&D (design) funds shall be used to prepare the RFP package for construction contract award and review of the contractor's design submission, unless otherwise stated in the Congressional DD Form 1391 for the project. (Note; P&D funds shall be included on DD Form 1354.)

(6) Other. Any funds paid to obtain a complete and useable facility such as real estate, bonds, insurance, relocations, military troop labor, etc., whether paid by State or other sources, which are not part of the project line item appropriation.

f. **Policy changes.**

(1) Categories E and F equipment will not be charged at the flat rate. S&A will be charged at actual cost rather than at the flat rate.

(2) All in-house labor will be exempted from S&A flat rate charges. Departmental and GAO will cover the cost of supervising these activities. Note: Corps of Engineers Financial Management System (CEFMS) has been programmed to enforce this policy and will not allow the flat rate to be charged on in-house labor. Therefore the policy is retroactive to the date of CEFMS deployment at each district or center.

(3) Engineering during construction (EDC) has been renamed DDC. These costs will no longer be funded separately, but will be covered by the contingency part of the CWE. They will still be charged to the work item for EDC per ER37-345-10 until the work item is renamed. The net effect is to reduce available contingencies by ignoring this know cost at time of award.

(4) Printing of contract drawing and specification for use during the construction phase will be charged to P&D or DDC. The initial distribution to the CM will normally be funded out of P&D for MILCON projects.

## CHAPTER 6 MANAGEMENT OF CIVIL WORKS AND SUPPORT FOR OTHERS CONSTRUCTION SUPERVISION AND ADMINISTRATION AT ACTUAL COST

6-1. General. This chapter provides guidance for the management of S&A for CW and SFO. (See ER 1140-2-211)

6-2. Sources of Income for S&A Services. S&A for CW and SFO projects is performed on an actual cost basis, i.e., "at-cost" (see Table 3-3). Liquidated damages withheld for late completion by a contractor may be used to offset S&A costs incurred, due to the prolonged performance period.

6-3. Estimates of S&A Costs and Construction Contract Placement. Budgeted S&A costs shall be based on estimates of actual costs to be incurred in the performance of S&A activities during the life of the construction contract. Budgeted (or scheduled) construction placement shall be based on estimates of actual payments to contractors to be made during the life of the project. S&A costs and placement shall be estimated for each project during the budget process and shall be included in the project plan developed by the project management team. S&A costs include all direct and indirect costs associated with the performance of S&A for construction. Costs for the accomplishment of S&A activities, including those associated with the provision and operation of a project office, will be charged directly to the project using the appropriate S&A cost account.

6-4. Management of S&A and Construction Contract Placement. Management of S&A and construction contract placement for CW is a budget based process. It consists of preparing a project specific budget for S&A and construction placement and executing in accordance with that budget. S&A rates are to be utilized as guidelines during budget preparation, however, they should not be used to measure performance at the project level. Project level performance should be measured by comparing actual costs to budgeted costs.

a. In the district, S&A costs and construction placement shall be managed at two levels first at the project level and secondly on a district wide basis.

b. Management at Project Level. Project S&A and construction placement shall be managed within the Project Management Business Process as described in ER 5-1-11. The management of S&A and construction contract placement shall consist of preparing a project specific budget for S&A costs and construction placement and then managing actual costs to that budget.

(1) Budget Preparation. As part of the project management team the construction team member will prepare an estimate of the costs to perform the required

S&A activities and submit it to the project manager. Table 6-1 contains typical S&A rate ranges for the categories of projects addressed in ER 415-2-100, "Construction Staffing For Civil Works Projects" for use in the budgeting process for CW projects. These are furnished as guidelines only. The estimate of S&A cost for each project should continue to be based on project specific considerations. The S&A costs included in the approved project budget will become the goal to which actual S&A costs will be managed. Construction placement shall be based on the best estimate of anticipated contractor earnings.

(2) Management of S&A Costs and Construction Placement During Construction. During construction the goal is to manage actual S&A costs and actual placement to the budget. Periodically, actual S&A costs and placement will be compared to budgeted amounts and the required corrective action shall be taken to stay within the budgeted amounts or if justified the budget shall be revised to reflect actual conditions. It is the responsibility of the construction team member to keep the project management team informed of the status of the project S&A funds and to identify the need to adjust the amount of S&A funds.

c. Management of District Wide S&A and Construction Placement. The total district wide S&A cost is the sum of the appropriate project S&A costs. The total district wide construction contract placement is the sum of the appropriate project construction placement. The performance of S&A management on a district wide basis will be measured by comparing actual S&A costs and actual construction placement to budgeted amounts.

d. Management of MSC Wide S&A. Each MSC shall manage their districts CW S&A and construction contract placement to achieve the MSC performance goals established by HQUSACE. The goals consist of two parts. The first part is to prepare a budget within guidelines established below. The second part is to manage actual execution to the budget within goals established below.

(i) For the CW program the budget preparation goal is to prepare a budget within the target S&A rate of 7.5% plus or minus 1.5%. A budgeted S&A rate outside this range shall be justified to the Director of Civil Works prior to the beginning of the fiscal year. Due to the variations in the budget preparation process from year to year a specific date for presenting justifications to the Director will be established in the last quarter of each fiscal year.

(ii) The execution goal is to manage actual S&A costs and actual construction placement to the goals established in paragraph 6-5 below.

6-5. HQUSACE Oversight of the Management of S&A. CW S&A and construction contract placement will be monitored by comparing actual S&A cost and actual placement to budgeted amounts on a quarterly basis. At HQUSACE performance will

be measured for each MSC and will be reported at the Command Management Review (CMR). Actual performance within plus or minus 15% of the budgeted amounts for S&A costs and placement shall be considered acceptable. Actual performance outside this range shall be explained by the MSC commander at the CMR.

TABLE 6-1

TYPICAL S&A RANGES  
FOR CIVIL WORKS CONSTRUCTION CONTRACTS

PROJECT TYPE	TYPICAL S&A % RANGE
Earth and Rock Fill Dam and Outlet Works	7 - 10
Concrete Dams and Spillways	7 - 10
Urban Levees & Flood Walls including integral pumping stations	8 - 11
Navigation Structures and Flood Gates	7 - 9
Powerhouses and Pumping Stations	7 - 9
Rural Levees	8 - 11
Channel and Harbors	5 - 9
Beach Erosion, Jetties and Groins	4 - 8
Recreation Facilities	4 - 7
Relocation	4 - 7
Dredging (Maintenance and New)	4 - 8

TABLE 6-2

PERFORMANCE CRITERIA FOR THE CMR FOR CW S&A and Construction Contract Placement

TERM: Supervision and Administration (S&A) Cost and Construction Contract Placement. Two charts are required. The first chart for Civil Works Construction will include Construction General (CG), Mississippi River and Tributaries (MR&T), the Inland Waterway Trust Fund, Coastal Wetlands Restoration Trust Fund and Contributed Funds. This chart compares actual Construction S&A cost and actual contract placement against the budgeted amounts for each MSC. The second chart for CW Construction will include Operations and Maintenance (O&M) Construction contracts, and Flood Control and Coastal Emergencies (FC&CE). This chart will also compare actual Construction S&A cost and actual contract placement for these specific accounts against the budgeted amounts for each MSC. Budgeted costs and placement are obtained from the PRISM or ABS databases, as appropriate, at the beginning of each fiscal year while actual amounts are obtained from the CEFMS database. Costs are cumulative to the end of the quarter. Management of S&A costs and construction contract placement to budget is the established goal.

PROPONENT: CECW-EC.

SOURCE OF DATA: Budgeted cost and placement obtained from the PRISM and ABS databases, actual costs from the CEFMS database.

CALCULATIONS: Compares actual costs and placement to budgeted costs and placement and displays their ratios as a percentage.

RATING CRITERIA:

GREEN: The ratio of actual to budgeted S&A costs  $\geq 85\%$  but  $\leq$  to  $115\%$  and the ratio of actual to budgeted placement  $\geq 85\%$  but  $\leq 115\%$ .

RED: All combinations of ratios of actual to budgeted S&A costs and placement which do not classify as green.

## CHAPTER 7 FORECASTING OF CONSTRUCTION PLACEMENT

### 7-1. General.

a. Forecasting of construction placement is a critical and highly subjective aspect of construction fiscal management. Forecasting is a joint effort that involves PPM, RM, Engineering Division, Construction Division and field offices. Accurate forecasting of placement and monitoring of actual placement throughout the budget year are critical parts of the preparation and management of an operating budget. Construction placement is the accrued value of work performed and is recorded in the Corps accounting system. It is the responsibility of the chief of construction and the CMs to ensure that the correct cost codes are used and accounting deadlines are met to record accurate placement values in the accounting system.

b. Forecasting placement is both art and science; therefore, a rigid standardized procedure is not imposed Corps-wide. A general methodology is provided which can be adjusted for local conditions, and is applicable Corps-wide. This chapter discusses such a methodology and the factors to be considered when forecasting construction placement. Performance indicators and reporting requirements are also addressed. MSC and districts should, as far as is consistent with good business judgment, standardize procedures within their organizations and publish written guidance. Accurate forecasting of placement is dependent upon each functional element providing the required information on estimated contract amounts and scheduled award dates to the CM in a timely manner.

### 7-2. Steps for Placement Forecasting. Placement forecasting should generally follow these steps:

a. Based on information furnished by PPM, the Engineering Division and the Construction Division shall prepare a preliminary schedule to include all contracts which are expected to earn income on placement during the budget period. The list should include contracts which are "in design" (i.e., new starts) and those which are under construction (i.e., carryover).

b. The preliminary schedule should be prepared by the various subordinate offices (field offices) managing the construction. The preliminary schedule should reflect applicable field conditions. The preliminary placement estimates should be returned to the construction division.

c. The Construction Division shall review the preliminary schedules and consolidate the schedules into an organization-wide placement forecast. Reviews and adjustments

to field estimates should be based on factors described in paragraph 7-3 (below). Field offices should have an opportunity to comment on any changes that are made to their placement forecasts.

7-3. Estimation of Placement. The placement forecast for each contract should be estimated individually, considering all known factors that may impact placement. A conservative approach should be taken when estimating placement, since the preponderance of unknown factors affecting construction will reduce rather than increase placement. The following factors should be considered when estimating placement:

a. Survivability rate.

(1) The probability of a project actually being constructed varies with the stage the project is in at the time the forecast is prepared. Contracts in the early stages of planning generally have a lower probability of being constructed and those funded have a higher probability. Historical experience should be used to evaluate this factor. The programs management office at HQUSACE and the customer should be consulted to help determine survivability.

(2) The survivability rate is normally accounted for by applying a factor to reduce the estimate of the contract amount used in the placement forecast. Factors from 100 to 20 percent of the CWE or PA are typically used. The lower percentages are generally used to forecast placement for other than the current execution year and for O&M funded projects which haven't yet been funded.

(3) In recent years the Congress has supported a higher level of MILCON funding than the President's Budget. These "Congressional adds" have little affect on the placement during the budget year since they are typically awarded in the last 4 months of the FY and have little placement. Future year placement should be increased by a percentage factor added to the survivability rate based on current and expected Congressional adds. This may result in a survivability rate over 100 percent. The political climate will change every election but the compromise position will normally adjust the budget to more closely match previous funding level.

b. Contract amount. The estimate of the value of construction to be performed generally becomes more accurate as the contract nears commencement of construction. Factors should be applied to the CWE or PA to obtain a contract amount to use for forecasting placement. Typical values are 60 to 90 percent of the CWE/PA for contracts not awarded. The lesser of the CWE or PA should be used. After contract award, projections should be adjusted to reflect the contractor amount. Bids that exceed the PA will normally be delayed while additional funds are requested, the scope reduced or an additive bid item not awarded.

c. Construction duration. The period over which construction earnings will be accrued is almost always longer than is estimated at any particular stage in the life cycle of a project. Historical time growth trends should be determined and adjustments made accordingly to the scheduled construction duration. Placement is distributed over the duration using the sine-squared, linear, or Hannum earnings curves. For ongoing contracts, which have a history of earnings, the adjustment to the construction duration should be to consider the actual contractor performance. Typical duration adjustments for contracts are a 40 percent increase for contracts with a duration less than one year, a 30 percent increase for contracts with a duration of one to two years and 20 percent increase for contracts with a duration over two years.

d. Construction start date. The actual date construction started or will start can have a significant impact on anticipated placement. Two major factors, the season of the year and the budget cycle should be considered when evaluating the date work starts. Extreme seasonal weather conditions will generally reduce placement. Often award dates are slipped so that the anticipated "start work" date is shifted into another season, which may result in reduced earnings. Holidays such as Christmas and New Years also reduce placement. The time within the budget cycle that a contract is scheduled to begin earning placement is critical. Those contracts scheduled for the beginning of the cycle have a higher probability of producing earnings within the FY than those scheduled to begin work in the fourth quarter. Typically, contracts scheduled for award in the fourth quarter have no earnings until the next FY.

e. Contract clauses. Clauses requiring large payments for items such as mobilization, off-site fabrication, site preparation, and large equipment costs may distort normal earnings curves.

f. Monthly schedules. These schedules should consider the seasonal effect caused by the weather and holidays. District accrual accounting practices will also distort earning schedules. Many districts only accrue contract earnings at the end of the FY or at the end of the quarter.

g. Bottom line adjustment. The uncertainties associated with forecasting placement for a particular contract are many; therefore, the actual placement can and often does vary widely from the forecast. These wide variations tend to balance when the individual contracts from the various programs are combined into the district-wide placement forecast. This forecast should be evaluated in light of previous experience in the district. If experience indicates that the methods used to produce high or low results that cannot be traced to a single factor, an adjustment should be made to the final result. These bottom line adjustments need to be documented since placement estimates are reviewed and consolidated at higher organization levels (resident, area, district, division, USACE). Failure to document these bottom line adjustments could result in the adjustment being applied multiple times at different organizational levels.

7-4. Update of Placement Schedules. Actual placement is to be compared monthly to forecast placement and necessary steps taken to maintain or revise the budget. Schedules will be updated and provided to the MSCs at least once per quarter. Original and mid-year placement schedules by district and by program are required by HQUSACE. For military projects, this data will be collected, validated by CEMP-M, and forwarded to the DCSRM. For CW, this data will be collected by CECW-OC. Experience demonstrates that slippage is often not recovered, so immediate cost-cutting actions are normally required for military construction whenever a slippage occurs.

7-5. Reporting. Districts should follow guidance on reporting requirements issued during Project Management Information System (PROMIS) implementation.

7-6. Performance Indicators. On a quarterly basis, HQUSACE will report to MSC a comparison of forecast and actual placement for each program at the CMRC.

7-7. Statistical Analysis. It may be useful to apply statistical methods to analyze forecast versus actual placement, contract duration, S&A costs/earnings, S&A man-years, etc., to help detect common and special causes of variation. This can be done in various ways, e.g., comparison of similar types of work versus time to accomplish, size of contract versus time to accomplish, comparison by customers, etc. Statistical methods are generally intended for situations involving quantifiable data, e.g., to produce and analyze run, average and range charts. However, even in cases with limited or poorly defined data, such as construction projects, these applications may prove useful.

## CHAPTER 8 ACQUISITION/ESTABLISHMENT OF FIELD CONSTRUCTION OFFICES

8-1. Policy. This chapter provides the HQUSACE policy on the acquisition of field construction offices by districts and program centers.

a. Project offices for CW projects are to be obtained primarily by use of project funds. Area offices for multiple CW projects should be constructed through the Plant Replacement and Improvement Program (PRIP), or leased using area office overhead account funds. Project offices required that other non-military, non-DOD projects be funded by project appropriations, as a general rule.

b. Project or area offices required for the management of military-related construction activities should normally be provided or funded by the customer/sponsor of the construction work. Army and Air Force agencies and installations are generally the sponsors for military projects constructed by the Corps. In the interests of efficient and effective CM, suitable, existing facilities should be provided for the management of construction and for Corps on-site activities related to installation support. Alternate sources of project or area offices may be used only if the installation or other project sponsor cannot provide suitable facilities. (See AR 415-15 for approval requirements where installations cannot provide space.) For military projects, the details concerning the acquisition of field offices should be included in a written Memorandum of Understanding (MOU) executed between each district and the supported installations and/or customers; i.e., Army, Air Force or other. Logistical details need to be formalized, such as USACE control of the facilities, and responsibility for maintenance and other related costs. The agreements with Air Force BCEs should be part of local MOUs. For Army bases, such an agreement usually should be part of an overall MOU with an installation, and should be based on the CECPW-district responsibilities listed in AR 420-10. At some posts, such as those under the DBOF, a district may be charged for its share of such items as security, drug prevention program, fire protection, etc. MOUs for such facilities should be negotiated to include only those services that benefit the particular office.

c. The use of S&A funds or Departmental Overhead Account Funds for construction or purchase of field offices is not permitted. The use of Departmental Overhead and S&A funds for leases or rentals will be avoided, unless no other alternative is feasible (cost will normally be charged to Departmental Overhead accounts in accordance with EC37-1-261).

8-2. Advance Planning.

a. Advance planning is required to ensure that suitable office space is available when construction begins. For MILCON projects, office planning should start when a

project is programmed during the review and certification process at the MSC or district. A long lead-time is usually required to acquire permanent office space at a military installation; the request for space must compete with all others being considered by the installation.

b. As soon as the MSC or district becomes aware of an upcoming project(s), the commander or agent should request the necessary support facilities. For military projects, requesting correspondence should be sent to the CECPW or to the BCE, specifying what is needed, and the length of occupancy. District and MSCs should insist on good employee working conditions. This is a morale factor that could adversely affect the quality of construction and thus the reputation of the Corps.

c. CW and SFO projects. Advance planning is necessary and should begin during project programming to ensure that suitable facilities are available. If no Corps, military or other Government offices are available in the vicinity of the project, appropriate action must be taken to ensure that the project sponsor provides funding. PRIP funds, with appropriate authority, may be used only when no other source is available.

### 8-3. Alternative Sources of Office Space.

a. In certain cases, the host installation may not be able to provide suitable facilities due to certain circumstances, such as strict budgetary constraints. If this occurs, the following options may be utilized to obtain office space. The size, scope, and length of a project determine which options are preferred; use the most feasible one; however, options requiring S&A funds should be considered only as a last resort.

b. An upgrade or a new facility may be included in the project authorization document (DD Form 1391) for the project to be supported. This possibility needs to be considered as part of project planning and programming. When including a field office with a major project, ensure compatibility of facility the types to improve chances of approval. For example, inclusion of a permanent office with administrative or mixed-use facilities is more likely to be accepted than inclusion with a weapons range or maintenance facility.

c. If the installation cannot provide fixed (permanent) facilities from its inventory, the need for offices should be identified as a requirement in DD Form 1391 to be paid from construction funds, as either:

(1) On-post office space in relocatable structures (e.g., trailers); or

(2) Off-post lease or rental space. Since the lease or rental must be addressed in programming documents to be prepared, approximately three years before start of construction, advance planning, and coordination with the installation are necessary. The installation, the district, or the construction contractor may obtain these facilities. If

the contractor is to provide the facilities, the construction contract must include a bid item requiring provision of suitable office space.

d. The commander of a military installation may initiate and fund a minor O&M, DBOF, or Real Property Maintenance, Defense (RPMD) project (under \$500,000 funded costs) to upgrade substandard facilities.

e. Use of space in CW offices is permitted for military projects when excess space exists. Usage costs will be charged to the applicable military project(s), and/or to the flat rate S&A accounts as resident/area office charges.

f. New CW office facilities may be acquired with provisions to include space for military projects (MILCON, O&M, RPMD, DBOF, other military reimbursable). These facilities must be funded by the PRIP and must support primarily multiple CW projects or appropriations. When a new PRIP facility will cost over \$700,000, it must first be approved by Congress, a process requiring approximately two years' lead-time. Military project offices may "rent" space in such a building and must make payments to the PRIP account, based on area occupied, utilities and other operations costs. These costs will be charged proportionately, either directly to the supported military projects or to the flat rate S&A account.

g. Relocatable buildings for military projects. Relocatable buildings are designed for the specific purpose to be readily moved, erected, disassembled, stored, and reused without structural damage and only need to provide a minimum amount of refurbishment. These buildings may be used to provide temporary space, normally less than three years, when they constitute the most practical or economical means of satisfying requirements for nonpermanent facilities. AR 420-18 provides policy and procedures for relocatable buildings summarized as follows:

(1) HQUSACE may approve relocatable building leases for up to one year, with total lease fees not to exceed \$50,000. Leases exceeding \$50,000 per year with duration over one year and all purchases must be approved by HQDA. HQDA approval requests must be submitted IAW AR 420-18 to CEMP-I (formerly CPW).

(2) Relocatable buildings are normally acquired with OPA funds, but may also be paid for with other types of funds provided the fund does not have a prohibition against use for this purpose. MSCs requesting OPA funds should contact HQUSACE (CERM-B) for current guidance. Relocatable building leases and costs of assembly, maintenance and operation, to include utilities, disassembly, and refurbishment will be charged to the operating funds of the using activity. The real property portions of a relocatable building request (such as site preparations, foundations, exterior utilities, other supporting construction requirements), which are funded costs of a project, are to be executed either as part of the primary project (if approved in DD Form 1391), or as a separate minor construction project, e.g., with the OMA "L" account.

h. Non-Corps, non-installation Government facilities. Use of such facilities will be covered with a MOU, as described in DOD 4000.19-R. This applies to situations such as leasing from GSA or from non-Army DOD agencies. S&A funds shall not be used to pay for leases, unless there is no other alternative, as certified by the district commander.

i. Leases. This is the least desirable alternative for acquisition of office space and should generally not be considered. If the other options prove unfeasible, necessary facilities may be leased from commercial sources. An economic analysis must be performed and if it reveals that it is more effective to lease non-Government space, the cost of leasing may be charged to the supported project(s). The S&A account may be used only when no other funds are available. Prior approval by HQUSACE (CERE-A) is required.

8-4. HTRW Removal Projects. The following guidance is to be followed when obtaining construction office space for environmental and HTRW removal/remediable projects.

a. EPA Superfund project funds may only be used to lease or rent facilities, but not to construct or otherwise acquire them for permanent ownership. A contractor may be required to furnish suitable administrative space to Corps personnel as part of the contract.

b. Formerly Used Defense Sites (FUDS). FUDS are similar to EPA projects. DOD generally does not permit any fixed/permanent construction at former military installations.

c. Installation Restoration Program (IRP). At active military bases, either temporary or permanent facilities may be acquired, if justified by the scope and expected duration of the project. For construction purposes, treat IRP funds the same as OMA and MILCON. An existing building may be rehabilitated or altered, provided the minor construction cost ("L" account) is below \$500,000. To use IRP project funds, prior coordination must be made between the district and the supported BCE or CECPW who must include the office requirement when submitting the project cost estimate.

8-5. Operations and Maintenance Costs. The O&M costs of an Area/Resident/Project Office are charges to S&A (See Chapter 2, paragraph 2-2.b (6)), provided the charges do not result in a capital improvement, i.e., over \$25,000 for CW or over \$100,000 for military. Field commanders will ensure that such charges are appropriate for operations (utilities, pro-rated charges from host for common services, etc.) and maintenance (minor repairs, painting, etc.). Care will be exercised to ensure that capital improvements are not charged to S&A costs. Reimbursable funds provided by the installation or project customer/sponsor are generally the proper source for capital

expenses.

8-6. Restrictions. Suitable construction office facilities are essential tool in our effort to deliver a quality product on time and within budget. The Corps has a responsibility to its customers and employees to provide office facilities that will enhance our ability to accomplish our mission. However, some statutory and regulatory restrictions must be observed, as outlined below.

a. The use of S&A funds for construction of office facilities or procurement of capital assets is prohibited.

b. The cost of construction of a military projects office which supports more than a single project cannot be distributed among the projects; all funds for its construction must come from a single Unspecified Minor Military Construction, Army (UMMCA) project or military line item appropriation.

c. The use of Departmental Overhead funds for rental, lease, or renovation of new office space is discouraged. Provision of suitable office space should first be the responsibility of the installation or project sponsor. Departmental Overhead funds may only be used when no other sources are available, and the district commander must get approval in writing from CERM-P.

8-7. Factors to Consider for Office Suitability. In acquiring office space, it is necessary to consider those factors to enhance the morale and productivity of Corps personnel and to provide a work area that will make a positive impression on our customers and other visitors. Listed below are main factors to consider. Consult appropriate regulations and design guides for detailed, current guidance.

a. Economics: Economics is one of the Corps' three prime considerations for project planning, in addition to engineering and environment. Costs are an important consideration, especially for those Corps customers who operate under strict budgetary constraints. Avoid extravagance and luxuries; this posture does not imply that the Corps is to acquire austere or substandard facilities. Proper advance planning allows for construction or rehabilitation of structures that that will provide a suitable, pleasant working environment at the least additional cost.

b. Environment: Ensure that no harmful effects are caused by establishment of an office. The Corps is frequently in the public spotlight on this issue, therefore, forethought in site and design are necessary for good public relations.

c. Safety and Health: Provide an area clear of hazardous and toxic materials and free of animal and insect infestations. Ensure that buildings are structurally sound and all utilities are adequate and in safe operating condition.

d. Space and furnishings: AR 405-70 and DA Pam 420-10 provide the basic guidelines for office space requirements and layouts. When applicable, CW offices must conform to the requirements of 41 CFR, Part 101-17.

e. Lighting: Check appropriate design criteria for specific requirements. If not available, use the following general criteria: 50 foot-candles at workstation (i.e., desk); other work areas: 30 foot-candles; non-work areas: 10 foot-candles.

f. Heating, ventilation, air conditioning: Ensure adequate fresh air for effective working conditions. Check for "unhealthy" buildings where airborne particles, bacteria, etc., may not be adequately filtered, and insufficient air supply causes drowsiness and lower productivity. If not prescribed otherwise, heating in administrative areas must raise the temperature to 68 ° F (20° C), and cooling must lower room temperatures to 79° F (26° C).

g. Acoustics: Sound levels should not exceed 47-56 DBA. Use of sound-absorbent materials and furnishings is encouraged.

h. Exterior:

(1) Utilities. Plan/design appropriate capacity to meet future demand; to minimize maintenance, and to provide maximum accessibility for repairs. Keep maintenance manuals on-hand for utilities and equipment - this will assist the CECPW/BCE with the repair and maintenance responsibilities.

(2) Esthetics and signage. Coordinate with the CECPW or BCE to ensure conformance with the installation's master plan and design guide, and/or Community of Excellence Program.

(3) Transportation. Try to locate the office near public transportation routes, as an alternative to privately owned vehicles. Ensure adequate parking for an official, an employee and a visitors' vehicles.

## CHAPTER 9 ACQUISITION OF ASSETS OTHER THAN FIELD OFFICES

9-1. General. This chapter provides information on the acquisition of capital assets required for field office operations and other CM related activities items such as tools, furniture and automated data processing equipment (ADPE). This information applies especially to military projects because they generally operate under more restrictive rules.

9-2. Capital Assets. Capital assets for U.S. Government agencies are defined by the GAO as items having an acquisition cost exceeding the capitalization limit (currently \$25,000 for civil and revolving funds and \$100,000 for military) and a useful life of two years or more (GAO Policy and Procedures, Title II, Appendix I, Standard No. P40). For USACE accounting purposes, if capital assets are not paid for by project funds, the assets are treated as a departmental overhead cost.

a. An item is not considered a capital asset if it costs less than the capitalization limit and can be fully utilized in and of itself, e.g., a desk or computer that is not part of a larger system. Bulk purchases exceeding capitalization limit are permissible for these items for the sake of convenience, provided that no item violates the preceding conditions. Examples of prohibited items are modular furniture or computers, when a part of a system exceeds the capitalization limit.

b. For military projects, the flat rate S&A accounts will not be used for acquisition of capital assets because this process results in a violation of the Purpose Statute and may result in an Anti-Deficiency Violation. The requirements of Chapter 7, ER 37-2-10 concerning capital assets apply to both CW and military projects. A waiver to the ER 37-2-10 for purchase of capital assets costing between \$25,000 and \$100,000 must be approved by CERM-F, if the asset is used only for military projects.

9-3. Alternatives to S&A Funding. To acquire or gain use of capital assets, various alternatives to S&A funding should be considered. Only the first one permits use of S&A funds.

a. Leasing. S&A funds may be used if other funding is not available. This choice may be preferable to outright purchase when a short-term operation is planned or when considerable maintenance or repairs can be expected. A simple life cycle cost analysis should be made to determine the best alternative. The Corps ECONPACK computer program is useful for this.

b. OPA funds. These can be obtained through the USACE budget/funding process.

c. Transfers or "rentals" of currently unneeded items between CW and military programs are permitted.

d. Major sources of free or inexpensive equipment and furniture, new, and used are local military and civilian Property Disposal Offices (PDOs), which often have useful items in serviceable or near-serviceable condition. It is recommended that MSCs obtain PDO notices, which are sent out periodically.

e. Minor repairs or restoration often can make used items useful, reliable, and attractive. Items obtained from PDOs or other sources at no cost or below fair market value, whose actual value exceeds \$25,000, are considered capital assets and must be recorded by the acquiring office as "donations" to the revolving fund. Items under \$25,000 in value are considered "expendable" and must be recorded on the acquiring office property records. Repairs and maintenance of these items generally are to be charged to the Area/Resident Office Overhead Accounts, or to the district/center departmental overhead, as applicable. When the item(s) are used exclusively in support of a specific project, charge repair/ maintenance as a project S&A cost.

9-4. Additional Funding Sources. Base level commercial equipment and other similar programs are sources available for funding of ADPE and modular office furniture, when classified as capital assets. The district, MSC, and RMO should have current information and guidance, as provided by HQUSACE (CERM-B).

FOR THE COMMANDER:

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XXXXXXXXXXXXXXXXXX  
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## APPENDIX A REFERENCES

Many of the references can be found on the USACE publication web site at URL:  
<http://www.usace.army.mil/inet/usace-docs/>

- a. 10 USC 2577, Disposal of Recyclable Materials
- b. 10 USC 2802 (b) (5), Military Construction Projects
- c. 31 USC 1301, The Purpose Statute
- d. 31 USC 1341/1517, Anti-Deficiency Act
- e. 41 CFR, Part 101-17, GSA Temporary Regulation D.73
- f. DOD 4000-19-R, Defense Regional Inter-Services Support (DRIS) Regulation
- g. DOD I 7150.6, Financing the DOD Family Housing Program - Administration of Management of Funds
- h. DOD I 7310.1, Disposition of Proceeds from DOD Sales of Surplus Personal Property
- i. AR 37-1, Army Accounting and Fund Control
- j. AR 210-50, Housing Management
- k. AR 405-70, Utilization of Real Estate
- l. AR 415-15, Army Military Construction Program Development and Execution
- m. AR 415-35, Minor Construction, Emergency Construction, and Replacement of Facilities Damaged or Destroyed
- n. AR 420-10, Management of Installation Directorates of Public Works
- o. AR 420-18, Facilities Engineering, Materials, Equipment, and Relocatable Building Management
- p. DA Pam 420-10, Space Management Guide
- q. ER 5-1-11, Program and Project Management Business Process (PMBP)

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- r. ER 37-1-24, Operating Budgets
- s. ER 37-2-10, Accounting and Reporting--Civil Works Activities
- t. ER 37-345-10, Accounting and Reporting--Military Activities
- u. ER 415-345-38, Transfer and Warranties
- v. ER 715-1-20, Architect-Engineer Contracting
- w. ER 1110-2-1302, Civil Works Cost Engineering
- x. ER 1140-2-211, Support for Others: Reimbursable Work
- y. EC 37-1-261, Financial Administration - Accounting and Reporting Procedures to Standardize Indirect Costing
- z. EP 37-1-4, Fiscal Administration - Cost of Doing Business
- aa. EP 1110-1 Series, Construction Equipment Ownership and Operating Expenses Schedule

## APPENDIX B LIST OF ACRONYMS

Listed herein are acronyms and definitions of terms frequently used in this regulation. For a more extensive listing, refer to AR 415-15, ER 5-7-1, ER 37-2-10, ER 37-345-10, and the USACE CORINT Standard Definitions (accessible on the USACE homepage, under "Resource Management", Tools).

### ACRONYMS

ACASS--Architect-Engineer Contract Appraisal Support System

ACSIM--Assistant Chief of Staff for Installation Management  
(Army Staff at Pentagon)

ADPE--Automated Data Processing Equipment

A-E--Architect-Engineer

AFARS--Army Federal Acquisition Regulation Supplement

AMC--Army Materiel Command

AMS--Army Management Structure

BCE--Base Civil Engineer

BCOE--Biddability, Constructibility, Operability and Environmental (review)

BRAC--Base Realignment and Closure

CCASS--Construction Contract Appraisal Support System

CEFMS--Corps of Engineers Financial Management System

CECPW--Army Center for Public Works, Ft Belvoir (Formerly  
Engineering and Housing Support)

CEFMS--Corps of Engineers Financial Management System

CIP--Construction Process

CERAMMS--Corps of Engineers Resource and Military Manpower System

CFO--Chief Financial Officer

CM--Construction Management/Manager

CMRC--Command Management Review Conference

CSRS--Civil Service Retirement System

CW--Civil Works

CWE--Current Working Estimate

DCE--Design and Construction Evaluation

DBOF--Defense Business Operating Fund

DEH--Directorate of Engineering and Housing

DERP--Defense Environmental Restoration Program (IRP, FUDS, OE)

DDC--Design During Construction

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DFARS--DOD Supplement to Federal Acquisition Regulation  
DOD--Department of Defense  
DOH--Departmental Overhead  
DOE--Department of Energy  
DPM--Deputy for Programs  
DPW--Department of Public Works  
DCSRM--Deputy Chief of Staff Resource Management

ECC--Estimated Cost of Construction  
EDC--Engineering During Construction  
EFARS--Engineer Federal Acquisition Regulation Supplement  
EPA--Environmental Protection Agency  
EP--Engineer Pamphlet  
ER--Engineer Regulation

FAR--Federal Acquisition Regulation FOA--Field Operating Activity FORCON--Forecast  
of Construction (for Civil Works) FUDS--Formerly Used Defense Sites (Environmental  
Restoration Part of DERP)  
FERS--Federal Employee Retirement System  
FUDS-- Formerly Used Defense Sites

GFE/GFM--Government Furnished Equipment/Government Furnished Materials  
GSA--General Services Administration

HTRW--Hazardous, Toxic and Radiological Waste removal or  
remedial projects; as used in this ER, it includes work for DOD, EPA and other potential  
customers.

ICR--Internal Control Review (Checklist)  
IDQ--Indefinite Delivery and Quantify  
IDTC--Indefinite Delivery Type Contract  
IRP--Installation Restoration Program (part of DERP)

JOC--Job Order Contracting

LCCA--Life-Cycle Cost Analysis  
LRS--Life-Cycle Cost Reporting System

MCA--Military Construction, Army  
MCAF--Military Construction, Air Force  
MILCON--Military Construction; designates any congressionally appropriated new  
construction for DOD  
MIPR--Administrative Military Interdepartmental Purchase Request  
MOU--Memorandum of Understanding

MSC--Major Subordinate Command (formerly Division in USACE)

O&M--Operations and Maintenance

OASA (IL&E)--Office of Assistant Secretary of the Army for  
Installations, Logistics and Environment

OCE-P--Office of the Chief of Engineers, Pentagon (Formerly successor to  
Office of Assistant Chief of Engineers)

OEW--Ordnance & Explosion Waste

OMA--Operations and Maintenance, Army

OMAF--Operations and Maintenance, Air Force

OMAR--Operations and Maintenance, Army Reserve

OPA--Other Procurement, Army (generally administered by AMC)

PBAC--Program and Budget Advisory Committee

PCS--Permanent Change of Station

P&D--Planning and Design

PDO--Property Disposal Office

PM--Project Managers

PMBP--Project Management Business Process

PROMIS--Project Management Information System

PRIP--Plant Replacement and Improvement Program (Civil Works)

QA--Quality Assurance

QC--Quality Control

QMR--Quality Management Review

RBC--Regional Business Center

RFP--Request for Approval

RDT&E--Research, Development, Test and Evaluation (funds)

RPMA--Real Property Maintenance, Army

RPMD--Real Property Maintenance, Defense

RMO--Resource Management Office

RMS--Resident Management System

RR--Rapid Response

S&A--Supervision and Administration

S&I--Supervision and Inspection

SFO--Support For Others (ER 1110-2-211)

SIOH--Supervision, Inspection and Overhead (for Navy projects)

TDA--Table of Distributions and Allowances

TQM--Total Quality Management

UMMCA--Unspecified Minor Military Construction, Army

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16 Sep 99

USACE--U.S. Army Corps of Engineers

VISP--Voluntary Separation Incentive Pay

DEFINITIONS:

The first set of definitions is taken from AR 415-15, "Military Construction Program Development and Execution" and ERs 37-2-10 and 37-345-10. They apply to most types of work performed by USACE.

Construction:

- (a) The erection, installation, or assembly of a new facility.
- (b) The addition, expansion, extension, alteration, conversion, or replacement of an existing facility.
- (c) Relocation of a facility from one installation to another.
- (d) Installed equipment made a part of the facility, related site preparation, excavation, filling, landscaping, or other land improvements.
- (f) Remedial action phase of HTRW project including OE projects.
- (g) The removal or relocation of rock and soil including dredging.

Construction Project: A single undertaking to produce a complete and usable facility and/or a complete usable improvement to an existing facility. It includes all construction work, land acquisition, supervision, inspection and overhead costs, planning & design cost and procurement and/or installation of specific types of built-in (installed) equipment necessary to make a facility complete and usable.

Construction Activity: The activity (agency or office) responsible for award of a construction contract, or execution of the work by other means.

Operations and Maintenance (Real Property Maintenance Activity):

This term applies to most DOD departments and agencies. OMA--Army; OMAR--Army Reserves; OMAF--Air Force (other military services use similar abbreviations)

For the Army, the AMS accounts are used to account for expenditures for repair, maintenance, and minor construction (under \$500,000):

J. Operations and Utilities

- K. Maintenance and Repair of Real Property
- L. Minor Construction
- M. Engineer Support

#### OTHER DEFINITIONS

Support for Others: (See ER 1140-2-211 for a detailed definition). This term is used to indicate all projects or other work the Corps may perform for non-DOD customers, as well as dredging for DOD departments and agencies. Various types of funds may be used; however, all projects funded entirely with Civil Works appropriations are excluded.

Examples considered as "Support for Others" are work for EPA, DOE, State and local Governments, other Federal, non-Federal and foreign agencies. (See Chapter 3, Table 3-3), for a detailed list.

## APPENDIX C

### CONSTRUCTION MANAGEMENT CONTROL EVALUATION CHECKLIST

#### C-1. Function

The function covered by this checklist is the fiscal management of civil and military construction.

#### C-2. Purpose

The purpose of this checklist is to assist districts and MSCs effectively manage and execute construction program efficiently and in compliance with public law, regulations, and guidance.

#### C-3. Instructions

The below checklist is intended to augment the checklist in ER 37-1-24, Fiscal Administration of Operating Budgets. Supervision and Administration (S&A) functions will be evaluated quarterly through the Command Management Review (CMR) process. Guidance for evaluation is contained in the Consolidated Command Guidance (CCG) which is updated annually and posted on the HQ RM home page under "Business Practice" at URL: <http://www.usace.army.mil/inet/functions/rm/> performance is evaluated against the original or mid-years schedules in CMR indicators RM16-19. In addition the MSCs will do CFO self-assessments based on the CFO information papers posted at the bottom of the "CFO Site" on HQ RM home page under F&A. Particular attention should be placed on the information papers Proper Class of Project Cost CIP/Exp (Posted Jun 03), Accounts Payable/Accruals (Posted Jun 03), and Real Property (Posted Jun 03).

#### C-4. Areas to be evaluated

1. Are districts in compliance with the CFO info papers?
2. Were original and mid-year S&A schedules submitted to HQUSACE on time?
3. Is the MSC in compliance with CMR indicator - MILCON S&A?
4. Is the MSC in compliance with CMR indicator - O&M S&A?
5. Is the MSC in compliance with CMR indicator – S&A Gains and Losses?
6. Is the MSC in compliance with CMR indicator – S&A Leakage?