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Financial Administration
FINANCIAL MANAGEMENT OF CAPITAL INVESTMENTS

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CHAPTER 1

INTRODUCTION

1-1. Purpose. This regulation defines the policies and procedures for the management of capital assets obtained by the U.S. Army Corps of Engineers used in providing goods or services. It prescribes the procedures for programming, budgeting, allocating funds, utilization, calculation of costs and reporting requirements for the Revolving Fund, Plant Replacement Improvement Program (PRIP), project specific, and Operations and Maintenance, Other Procurement, Army (O&M, OPA). It does not apply to Federal mission, heritage, stewardship assets or assets specifically authorized in legislation.

1-2. Applicability. This document applies to all Headquarters, U.S. Army Corps of Engineers (HQUSACE) elements and all USACE Commands having capital assets funded by the Revolving Fund, Civil Works projects, or Military appropriations.

1-3. Distribution. Approved for public release; distribution is unlimited.

1-4. References.

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

b. Statement of Federal Financial Accounting Standards (SFFAS) No. 10, Accounting for Internal Use Software.

c. Implementation Guidance on Statement of Federal Financial Accounting Standards 10: Accounting for Internal Use Software.

d. DOD 7000.14-R, Department of Defense Financial Management Regulation.

(1) Volume 4, Accounting Policy and Procedures.

(2) Volume 2B, Budget Formulation and Presentation, Chapters 4-19.

(3) Volume 11B, Reimbursable Operations, Policy and Procedures - Working Capital Funds.

(4) DOD Policy on Internal Use Software.

e. DFAS Manual 37-100-**, The Army Management Structure, Chapter AO-2035.

f. Army Regulations and Manuals.

(1) AR 415-15, Army Military Construction Program Development and Execution.

(2) AR 10-85, United States Army Cost and Economic Analysis Center.

(3) AR 11-18, The Cost and Economic Analysis Program.

(4) DA Economic Analysis Manual.

(5) DA Cost Analysis Manual.

g. Engineer Regulations (ERs) and Engineer Pamphlets (EPs).

(1) ER 37-1-28, Continuing Resolution Authority (CRA).

(2) ER 37-1-30, Financial Administration - Accounting and Reporting.

(3) ER 37-2-10, Accounting and Reporting Civil Works Activities (superceded by ER 37-1-30, Financial Administration - Accounting and Reporting).

(4) ER 56-2-1, Administrative Vehicle Management.

(5) ER 405-1-12, Real Estate Handbook.

(6) ER 700-1-1, Supply Policies and Procedures.

(7) ER 1130-2-500, Partners and Support (Work Management Policies).

(8) EP 1125-2-1, Floating Plant List Change 1.

(9) EP 1130-2-500, Partners and Support (Work Management Policies).

1-5. Precedence of Regulations. Except as specifically authorized in this policy or other written guidance, USACE will follow SFFAS, Department of Defense Regulations (DODR) or Army Regulations (AR). The hierarchy of accounting standards is stipulated in DOD 7000.14-R, Volume 1.

1-6. Definitions. See Glossary.

1-7. Statutory Authority.

a. Act of July 27, 1953, Pub. L. No. 83-153, 67 Stat. 199 (codified at 33 U.S.C. SS 576 and 701b-10), authorized the establishment of a Corps of Engineers Revolving Fund.

b. Project authority is contained in each project authorization document.

1-8. Policy. It is the policy of the USACE that all capital assets and charges for use of these assets, as applicable, are fair, reasonable, and realistic.

1-9. Responsibilities. The Commander, USACE, has delegated the authority for financial control of the Command's capital investment program to the Directorate of Resource Management (CERM).

a. The Directorate of Resource Management will:

(1) Ensure that the policies and procedures specified in this regulation are kept current, comply with applicable laws and regulations, and Operating Guidance, Budget Development guidance, and Accounting Policy.

(a) Operating Guidance includes the definition of a capital investment, the types of funding sources, issuing and

revoking PRIP funds, PRIP acquisition/justification process, the PRIP five-year Scheduling Plan, the PRIP threshold concept, and the classification and management of the PRIP categories.

(b) Annual Budget Development guidance addresses submission due dates and required documentation to justify requests for new minor and major items; continuing minor and major items; and five-year plans. Also, new policy requirements will be provided through annual budget guidance until incorporated into the regulation.

(c) Accounting policy includes capital investments threshold determination, useful life, General Ledgers posting, use of PRIP, Plant-in-Service, PRIP transfers in/out, plant insurance, depreciation and plant increment rates, losses and damages of PRIP properties, plant operating accounts, plant disposal/retirement/sale, and conversion/reclassification of PRIP properties.

(2) Provide overall financial management of the capital investment program and cash management of the revolving fund.

(3) Solicit input from Headquarters and field-level functional proponents for specific investment proposals to accomplish mission, program goals, and prioritize projects.

(4) Present the Command's proposed Capital Investment Program to the Senior Program and Budget Advisory Committee (SPBAC) for review and approval.

(5) Notify MSCs of the approved annual Capital Investment Program. Assign PRIP Project Codes to approved plant items. Issue Work Allowances and Fund Authorization Documents in support of approved programs.

(6) Monitor plans and execution of current year Capital Investment Program to maximize fund utility.

(7) The HQUSACE PRIP Manager facilitates the command-wide coordination, review, prioritization, and approval of the program.

(8) The Humphrey's Engineering Command Support Activity

(HECSA) will serve as the National Capital Area PRIP Manager to service all initiatives sponsored by HQ functional proponents.

b. The Directorate of Civil Works will:

(1) Serve as HQUSACE functional proponent for the technical review and prioritization of all Civil Works capital investment program requests across USACE.

(2) Submit a recommended Command Civil Works Capital Investment Program to CERM in accordance with annual budgetary guidance.

(3) In conjunction with the Directorate of Resource Management, prepare/submit the Civil Works budgetary schedules for inclusion in the annual budget submission.

(4) Coordinate the Major Item, New Starts (MINS) requests of the Command's approved capital investment program with ASA(CW), OMB and Congress.

(5) Notify Congress whenever the Major Item authorized amount has a change of 10% or more; when a change causes a minor item to exceed the MINS threshold; and when a change in scope occurs.

(6) Issue additional guidance to subordinate activities as necessary to ensure compliance with this regulation.

(7) Periodically evaluate and recommend adjustment of capital asset and MINS thresholds.

c. The Directorate of Research and Development will:

(1) Serve as the equivalent of a division commander, and directors of research facilities will serve as the equivalents of district commanders for purposes of this regulation.

(2) Review requests from all subordinate research and development elements for current year and programs for future years (five-year plan) to ensure that requirements are realistic and compatible with construction and workload schedules.

(3) Prioritize requests from research and development facilities and coordinate with Directorate of Civil Works where applicable.

(4) Coordinate with the Directorate of Resource Management prior to completing any actions.

(5) Issue additional guidance to subordinate activities as necessary to ensure compliance with this regulation.

d. The Directorate of Logistics will:

(1) Serve as HQUSACE proponent to ensure a valid source document is cited for the authorization of capital assets.

(2) Serve as HQUSACE functional proponent for all capital investment program requests, such as land, structures, aircraft, buildings, office space, furniture systems, equipment and general use vehicles, coordinating with the Directorate for Civil Works where applicable, and ensuring that requests are supported by documented authorizations.

(3) Prioritize Logistics requests for the capital investment program across USACE.

(4) Coordinate with the Directorate of Resource Management prior to completing any actions.

(5) Provide additional guidance to logistics components to ensure compliance with this regulation

(6) Implement controls to prevent costs for MACOM or MSC, Center, District or FOA approved projects from exceeding approval limits for Army minor construction and authorizations for maintenance and repair projects; also, establish controls to maintain admin space utilization within minimum and maximum rates.

e. The Directorate of Corporate Information will:

(1) Serve as HQUSACE functional proponent for Information Technology (IT) investments such as communications, electronics,

audiovisual, photographic, reproduction equipment, and information technology software and equipment, coordinating with the Directorate for Civil Works, Logistics, and Resource Management where applicable.

(2) Prioritize requests for IT investments across USACE.

(3) Coordinate with the Directorate of Resource Management prior to completing any actions.

(4) Issue additional guidance to subordinate activities as necessary to ensure compliance with this regulation.

f. The Directorate of Real Estate will:

(1) Serve as HQUSACE real estate, functional proponent for all real property capital investments, validating those requiring Title 10 approval, and coordinating with the Directorate of Logistics and Civil Works where applicable.

(2) Prioritizes and provides HQDA/Congressional liaison for Title 10 requests for real property investments across USACE.

(3) Coordinate with the Directorate of Resource Management prior to completing any actions.

(4) Issue additional guidance to subordinate activities as necessary to ensure compliance with this regulation.

(5) Assure funds from real property disposal actions are credited to the Revolving Fund.

g. Marine Design Center. In this regulation, where reference is made to division commanders, it will be understood to include the Director of the Marine Design Center.

h. Commanders/Directors at Major Subordinate Commands (MSCs) or Field Operating Activities (FOAs) will:

(1) Appoint a capital investment program manager/ coordinator/PRIP Manager in Resource Management to assure development of a comprehensive capital asset program in support

of the district's Revolving Fund, Civil Works projects, or military appropriations. The PRIP Manager will:

(a) Establish and maintain a schedule of budget formulation and submission of capital asset program.

(b) Analyze and review the technical elements' requests for capital assets for supporting documentation IAW annual budgetary guidance, to include approvals by Logistics and Information Management divisions, where applicable.

(c) Consolidate the technical elements' capital asset requests into the district's capital asset program for presentation to the Senior Program and Budget Advisory Committee/MSC/FOA Commander/Director.

(2) Review and approve district and division requests for program submission to HQUSACE for the current year and programs for future fiscal years. Capital investment proposals will be evaluated to ensure they are realistic and compatible with the mission of the Corps, construction schedules and workloads.

(3) Prioritize all proposed capital investments for the command, to include division requirements for approval by the Regional Business Center.

(4) Compile lists, estimates, and reports from district commanders for forwarding to CERM-BA in support of MSCs'/FOA's' approved Capital Investment Program.

(5) Notify districts of approved annual program.

(6) Monitor districts' use of funds and plant, schedules, work activities, and budgets to optimize use of the Corps capital investment funds.

(7) Issue additional guidance to subordinate activities as necessary to ensure compliance with this regulation.

(8) Perform Quality Assurance Reviews on capital assets to ensure timely capitalization, adequate usage rates and CFO (Chief Financial Officer) requirements are met.

(9) Insure Districts, Labs and FOA accomplish short-and-long-range planning, with local Commander's/Director's approval, for future development on which to base their capital investment programs.

i. Commanders/Directors at Districts/FOAs, will:

(1) Appoint a capital investment program manager/coordinator/PRIP Manager in Resource Management to assure development of a comprehensive capital asset program in support of the district's Revolving Fund, Civil Works projects, or military appropriations. The PRIP Manager will:

(a) Establish and maintain a schedule of budget formulation and submission of capital asset program.

(b) Analyze and review the technical elements' requests for capital assets for supporting documentation IAW annual budgetary guidance, to include approvals by Logistics and Information Management Divisions, where applicable.

(c) Consolidate the technical elements' capital asset requests into the district's capital asset program for presentation to the Senior Program and Budget Advisory Committee/District Commander (SPBAC).

(2) Prioritize and approve district capital asset acquisition proposals through the Senior Program and Budget Advisory Committee.

(3) Assign asset documentation accountability and require an analysis of operating accounts and adjustment of the same as required.

j. The Directorates of Resource Management at HQ, Districts/Division, and FOAs will:

(1) Establish and maintain capitalized asset discipline within the organization.

(2) Publish local implementing policies and procedures in compliance with this regulation.

(3) Send requests through command channels for clarification of regulatory guidance. Deviation from capitalized asset policy contained herein requires approval from HQUSACE and, in some cases, higher authority.

(4) Notify technical elements (Directorates) of approved annual Capital Investment Program. HQ issues and Corps activities receive Work Allowances and Fund Authorization Documents in support of approved programs.

(5) Monitor planning and execution of the current year capital investment program, ensuring optimal use of available funds and timely release of funds determined to be excess to approved program.

(6) Consolidate and coordinate the review, prioritization and approval of the Command's capital investment requests through the Program Budget Advisory Committee (PBAC) process.

(7) Submit the formulated capital investment program plan in accordance with annual budgetary guidance. The submitted plan requires the District/Division Commander's approval prior to submission to Headquarters for Command review and approval.

(8) Headquarters capital investment initiatives require HQ Staff coordination and submission to the Senior Program Budget Advisory Committee (SPBAC) for approval.

k. All HQ USACE Directorates and Offices, and District/Division and FOAs will:

(1) Determine capital investment requirements for current year and programs for future years (five-year plan) for their respective directorates.

(a) Estimate Investment Cost for each asset. Perform quality assurance checks to document significant cost increases/decreases.

(b) Prepare an Affordability Analysis to support plant acquisitions.

(c) Prepare an Economic Analysis, if applicable to support plant acquisitions.

(d) Prepare a Justification Statement to support major item capital asset acquisitions and changes in scope 10 percent or greater.

(e) Prioritize, approve and submit capital investment plan and requirements to the PRIP Program Manager in accordance with annual budgetary guidance.

(2) Execute annually the approved and funded capital investment program as planned.

(3) Issue additional guidance to subordinate activities as necessary to ensure compliance with this regulation.

1-10. Record Keeping.

a. The District Resource Management Officer will serve as the Capitalized Assets Accountable Officer (CAAO). Program and Project Management, Resource Management, Real Estate, Operations, Engineering and Construction, Logistics, Information Management, and Contracting offices will be responsible for creating and maintaining capitalized asset records as well as making them available to the CAAO as needed. All capitalized assets files will be retained 10 years after the disposal of the asset. The ENG Form 3013, Work Order/Completion Report, along

with supporting documentation will be maintained and disposed of IAW AR 25-400-2, The Modern Army Recordkeeping System, Appendix B, FN: 1125-2-300a, Authority: NC1-AU-85-44.

b. Supporting documentation may include initial PRIP justification sheets (ENG Form 4943-R), copies of PRIP work allowances, ENG Form 3013, obligating documents (e.g., purchase requests, invoices, receiving reports, labor reports, other in-house costs), plant increment waivers, addition and betterment, ENG Forms 3013, and/or disposal work orders.

CHAPTER 2

CAPITAL ASSETS

2-1. Purpose. Define general policies for the acquisition supervision and administration of capital assets obtained by the USACE.

2-2. Capital Assets.

a. General. Capital assets are the tangible and intangible resources used directly or indirectly in the execution of USACE mission requirements, including program management and execution, and in project design, construction, and operation and maintenance. Capital assets include, but are not limited to, information technology hardware and software; vehicles; buildings and other structures; floating plant including dredges; construction equipment; real property; tools and equipment; communications; and aircraft.

b. Distinguishing characteristics. Capital assets have an expected useful life of at least two years and an acquisition cost that meets or exceeds the expense-investment funding threshold applicable at the time of acquisition. This threshold is subject to intermittent revision; the threshold change shall be applied prospectively. Assets capitalized in accordance with previous thresholds will continue to be capitalized and depreciated as applicable without regard to changes in the threshold.

2-3. Capitalization Threshold. Capitalization thresholds can be found in Appendix A.

2-4. Capitalization Basis. Capital assets acquired must be recorded at full cost. Full cost will include payments to vendors and/or contractors; shipping and/or delivery charges; handling and storage costs; labor and other direct or indirect production costs (for assets produced, designed or constructed by government forces); engineering, architectural, and other like outside services for design, plans, specifications, and surveys; acquisition and preparation costs of land, buildings,

and other facilities; inspection, supervision, and administration of construction contracts and construction work; as-built drawings, operating manuals, and like items; labor, materials, supplies, and other direct charges; legal and recording fees and damage claims (real property only); improvements, additions, and betterments; and other costs of obtaining assets in their current form and place as appropriate. Full cost does not include the cost of repairing or overhauling a piece of equipment damaged during shipment (FOB shipping point). Such costs will be charged to current operating expense.

2-5. Acquisition/Ownership Requirements.

a. Ownership of capital assets will be based on authorized mission requirements that cannot be accomplished safely or economically by other means, including the use of leased assets. Economic analysis will take into account the estimated duration of the requirement and all costs of acquisition and ownership, including costs of rehabilitation and/or upgrading to meet new technological standards.

b. Capital assets will be maintained to ensure continued safe use, to maximize availability to meet mission requirements, and to retain the highest level of efficiency of operation.

c. Periodic reviews will be performed to determine the continued requirement for capital asset ownership to meet mission requirements, including economic viability of the existing assets in meeting this requirement and safety of operation.

d. Justification for additions and betterments, rehabilitation, replacement, or retention in service of a capital asset, including an asset that is considered to be obsolete or which has reached the end of its estimated life, will be based on a safety review and an economic analysis, which considers all alternatives, including the use of leased assets.

e. Capital assets that are no longer required to meet mission requirements, that are unsafe, and/or that are no longer

economically viable will be disposed of promptly.

2-6. Funding. Funding for the acquisition, operation and maintenance, and replacement of capital assets varies depending on the authorized mission for which the asset is required:

a. Single Civil Works project or program. All funding is from project or program funds.

b. Multiple Civil Works projects or programs, or exclusively Civil Works districts or separate field operating activities. Acquisition, additions and betterments, or replacement funding is from the Revolving Fund Plant Replacement and Improvement Program (PRIP).

c. Single military project or program, multiple military projects or programs, primarily military districts or separate field operating activities, DA or DoD mandate. Acquisition, additions and betterments, or replacement funding is from Other Procurement, Army Based Commercial Equipment (OPA3) Funds. Operations and maintenance and rehabilitation funding is from Operation and Maintenance, Army (OMA) funds.

d. Joint Civil Works and military projects and programs acquisition, additions and betterments, or replacement funding is from the Revolving Fund Plant Replacement and Improvement Program (PRIP) when the assets are required for Civil Works projects or programs and utilization in support of military projects and programs is incidental. Revolving Fund, PRIP must be reimbursed for the entire military share within the fiscal year of the acquisition. When utilization in support of military projects and programs is not incidental, but requires additional capacity or capabilities, then funding for the additional capacity or capability must be from military capital acquisition or operations and maintenance accounts current at the time of acquisition.

2-7. Use of Public Property. USACE capital assets are public property and will be used only for the accomplishment of authorized projects or programs. Even the appearance of misuse

of public property is to be avoided. See ER 1130-2-500, Chapter 7, section IV, "Use, Loan, Lease, and Hire of Plant".

CHAPTER 3

RESOURCING CAPITAL ASSETS

3-1. Purpose. This chapter describes the methodology for resourcing capital assets financed by the Revolving Fund, Military, Civil Works appropriations.

3-2. Definition of Resourcing Capital Assets. Resourcing capital assets is the process of engaging resources (i.e., funds, manpower, etc.) with the business functions to support the acquisition of major investments and make the program self-sustaining. It encompasses a wide range of strategies -- from income generation practices such as plant increment rates to the repayment of borrowed funds through depreciation recovery.

3-3. Responsibilities for Resourcing Capital Assets. The Director of Resource Management (RM) is responsible for ensuring that all capital assets are placed-in-service upon receipt, and corresponding accounting procedures (i.e., depreciation, plant increment, etc.) are initiated in the Corps of Engineers Financial Management System (CEFMS), and useable project owned capital assets that are no longer needed are transferred to another project or disposed of properly. Although RM is the principal proponent for resourcing capital assets, the technical proponent will participate actively in this area.

3-4. Revolving Fund Capital Assets. Since 1953, USACE has been authorized by Congress to use the Revolving Fund to acquire capital assets when they serve more than one Civil Works project and the administration of Corps offices. It is also permissible to finance certain multiple-use capital assets that support both civil and military programs/projects. The resourcing mechanism for acquiring capital assets through the Revolving Fund is called the Plant Replacement and Improvement Program, or PRIP. PRIP is a tool that benefits the entire Corps of Engineers. In order for PRIP to be managed successfully, the following business practices must be strictly adhered to:

a. Headquarters is the purse manager for PRIP and oversees all capital assets to support the Corps mission. In order to monitor and track PRIP revenue and requirements, the Managerial Analysis of Revolving Fund "Cash" Availability report was developed. The report is prepared by CERM using the currently approved five-year plan and financial reports. Although the intent of the report is to monitor the Revolving Fund corpus, it also computes the total actual PRIP allocation available for subsequent fiscal years. A sample report is available at Figure 3-1.

Managerial Analysis of Revolving Fund "Cash" Availability (Consolidated from all Corps Financial Statements)					RCS: CERM-BA-19
Description	1st FY XX	2ND FY XX	3rd FY XX	4th FY XX	5th FY XX
Resourcing the PRIP Program: *PRIP Resourcing* Inflation Surcharge (Increment Depreciation Recovery Direct Appropriations Less: PRIP Obligations/Outlays Open Commitments **Total Available PRIP Resources**					
Fund Availability/Requirements: *Fund Availability:* Plus: Fund balance with Treasury Accounts Receivable (Includes WIP) Less: Advances and Prepayments Accounts Payable **Sub-total** *Fund Requirements:* Less: Direct Operating Expenses Purchase of Inventory Capital Leases and Other Assets Gains/Losses, including Capital Assets Plus: Revenue and Other Income General Fund Receipts **Subtotal** *Fund Reserves:* Less: Plant Maintenance Accrued Payroll/Leave Balance Insurance S&A Accounts **Sub-total** **Total Fund Available for PRIP and Other** **Less Available PRIP Resources** **Total Un-Used Funds "Cash"**					
Analyzing PRIP Resources: Plus: Available PRIP Resources Less: Current Fiscal Year PRIP Allocation Approved Five-Year Plan ***Total Un-used PRIP Resources***					

Figure 3-1

As the report indicates, there are three Corps unique PRIP resourcing mechanisms: plant increment, depreciation recovery, and direct Congressional PRIP authorization with appropriated dollars. MSCs and FOAs may use this or a similar type analysis as they determine affordability of capital investments for their organizations.

b. CERM Capital Asset Team (work group) will resolve PRIP resourcing issues. The team is chaired by the HQUSACE RM PRIP Manager to include representative(s) from Research and Development, Resource Management, Civil Works, Counsel, Logistics, Corporate Information, Military Programs, and Real Estate. Their primary role is to find new/alternative ways for acquiring capital assets that comply with current statutes and regulations. The four key areas of responsibility are:

(1) Evaluate and make recommendations to change existing accounting policies regarding capitalization criteria (i.e., useful life, threshold, increment/inflation rates, etc.) for Corps-wide implementation.

(2) Determine the estimated total revenue for the next PRIP funding cycle and establish annual goals for each PRIP category, based on historical funding data. The goals will be the dollar limitation assigned by category before identifying PRIP requirements. Table 3-1 provides an example PRIP category investment goals.

Table 3-1 Annual Budgetary Resourcing of PRIP Capital Assets

PRIP Category	Land 00	Buildings 05	Structures 10	Airplanes 20	Dredges 30	Floating Plant 40	Mobile Plant 50	Fixed Plant 60	Tool, Office Furniture and Equipment 70	Software 80	IT Equipment 90	Leasehold Improvement LH	Total
Goal %	0%	8%	7%	0%	20%	15%	3%	15%	12%	10%	10%	0%	100%
Goal Amount	$0M	$8M	$7M	$0M	$20M	$15M	$3M	$15M	$12M	$10M	$10M	$0M	$100 M
Work Group Adjustments		-$3M	-$4M		+$5M	-$5M			-$2M	+$2M	-$3M	+$6M	-$4M
Revised Amount	$0M	$5M	$3M	$0M	$25M	$10M	$3M	$15M	$10M	$12M	$7M	$6M	$96M
Requirements -HQ, MSC, Dist	$0M	$4.5M	$3M	$0M	$24.5M	$8.6M	$3.8M	$15M	$9.5M	$13M	$7.6M	$5.5M	$95M

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The goals are based on an estimated $100 million annual PRIP program. Changes to PRIP allocation goals due to Command reprioritization will be approved by the Deputy Commanding General, USACE.

(3) Serve as an Advisory Board for all Headquarters Directorates seeking the acquisition of capital assets using PRIP, Civil or Military funds. Every directorate must follow the same business practices as the MSCs and districts when procuring capital assets. For Headquarters PRIP capital assets, the team will assist HECSA by providing such services as: (a) preparation of an affordability analysis to determine impact on Command; (b) computation of payback schedules for depreciation and plant increment; (c) reviewing economic analysis for major items and determine if outside review is required; and (d) reviewing and offering editorial changes to the Congressional justification sheets for major PRIP items.

(4) Oversee and prioritize all capital investment requirements of the Headquarters.

c. Division Commanders must appoint a PRIP Coordinator for their commands. The PRIP Coordinator plays a major role in resourcing capital assets and may establish a similar Capital Asset Team for advising District Commanders.

3-5. Military Capital Assets. The Corps' Supervision and Administration practice is another resourcing mechanism authorized by statute to support military programs. When a military field office (serving multiple projects) needs to acquire capital assets that exceed the Army's capitalization threshold, financing shall be provided by direct funding from the authorized military appropriations.

3-6. Civil Works Capital Assets. All civil works projects capital assets will be financed directly by the benefiting civil works appropriations.

CHAPTER 4

PLANT REPLACEMENT AND IMPROVEMENT PROGRAM

4-1. Purpose. To provide the policy, procedures and operating principles of the Revolving Fund and the Plant Replacement and Improvement Program (PRIP).

a. The Revolving Fund was established to be available without fiscal year limitations but with delegated authority for the following primary purposes:

(1) To acquire, operate, maintain, and repair civil works lands, structures, and other plant, serving more than one civil works project and/or multiple civil works appropriations, and meeting current capitalization criteria.

(2) To purchase, operate and maintain aircraft as authorized.

(3) To temporarily finance services finally chargeable to appropriations for civil works functions.

(4) To furnish facilities and services for military functions of the Department of the Army and other government agencies and private persons as authorized by law.

b. The PRIP was established within the Revolving Fund to plan and provide for acquisition of Revolving Fund owned property. The Revolving Fund PRIP shall be used to acquire capitalized plant and equipment with at least a 2-year life, meeting the capital asset threshold requirements, and supporting more than one civil works project and/or appropriation. Capital assets are classified as either minor items or major items, depending on the acquisition cost of the asset. Capital assets acquired through the Revolving Fund, PRIP must be justified solely on civil works mission requirements. Revolving Fund assets may also provide incidental support to military programs, other governmental agencies, states, municipalities, individuals or corporations when not otherwise in use, provided that the

activities pay applicable usage charges. Commanders and directors will not use overhead accounts, project funds or any combination of other funding mechanisms to avoid use of the Revolving Fund, PRIP. See Appendices A thru L for exclusions and stipulations.

c. Revolving Fund, PRIP supports multiple civil works projects and/or appropriations at Corps Districts. Headquarters and MSC have oversight responsibilities of districts, with no direct involvement in the management of civil works projects. Thus, the Revolving Fund, PRIP is not an appropriate funding source for headquarters and MSC operational and facility requirements. Exceptions to this policy will be on a case-by-case basis and will require Congressional notification and authorization.

d. Additions and Betterments (A&B). Additions and betterments are defined as improvements rehabilitations, renovations, conversions, replacements or upgrades which either add something to a capital asset that was not there before, or increase the useful life, functional capacity, operating efficiency or usefulness of the asset. Additions and betterments to personal property capital assets will be capitalized only if they meet the current capitalization threshold (see Appendix A). Additions and betterments to real property capital assets will be capitalized regardless of cost.

e. Additions and Betterments 35% Rule. If the total cost of an A&B is equal to or greater than 35 percent of the estimated replacement cost of an item, then the remaining book value and the cost of the A&B will be added together to determine a new acquisition cost. A new useful life will be assigned based upon the condition of the original item and the scope of improvements resulting from the A&B. Plant increment and depreciation will begin from the date the A&B is completed using the completion date of the A&B as the new date of acquisition, the new acquisition (book) cost, and the new useful life in the computations. The total cost of A&B not meeting the 35 percent criteria will increase the book cost to be used in the computations with the original date of acquisition and the original useful life.

f. Revolving Fund Reimbursement. The Revolving Fund is

operated entirely within its own resources rather than from annual appropriations, making it necessary for prompt reimbursement to be obtained from the using appropriations or projects for services rendered in order that sufficient funds are available for continued operation.

(1) Repayment of the Revolving Fund, PRIP investment is in the form of depreciation and plant increment charges, which are included in the plant rental rate computed for each asset. Plant rental rate computation guidance is provided in Appendix B. Depreciation and plant increment charges are the only constant source of funds available to finance Revolving Fund, PRIP requirements. Therefore, new acquisitions and additions and betterments should be transferred to plant-in-service in accordance with financial regulations. Floating plant assets acquired by the Marine Design Center and Headquarters initiatives assigned to other commands will be placed in service at the actual recorded cost upon receipt by the asset-owning command. Any adjustments to the cost will be made upon receipt of additional plant cost documentation. Detailed guidance is provided in Appendix C.

(2) Documentation of Asset Valuation. Asset valuation is a pivotal element of inherent fiduciary managerial responsibility to ensure proper reimbursement of acquisition costs to the Revolving Fund. Asset valuation is based on historical cost documentation, e.g., contracting instruments, financial accounting system records, etc., or cost estimates where historical cost data is not available. A Work Order Completion Report (ENG Form 3013) will be retained for each asset as valuation documentation.

(a) Useful Life. Useful life will be determined by the asset manager subject to minimum and maximum life assignments of each asset category in the financial regulation. Asset useful life will be reviewed at least every two years. Documentation of the review will be forwarded to the PRIP Manager. Any changes to useful life will be documented and coordinated with the PRIP Manager prior to adjusting the finance and accounting system. Conditions necessitating a change in useful life include, but are not limited to: obsolescence, technological advances, changes in workload, replacement prior to full utilization of current useful life (e.g., asset with a 40 year

life replaced after 30 years of usage), etc. Fund availability cannot be used as a basis to change the useful life of an asset, for example by paying off the undepreciated balance of a continuing use asset.

(b) Depreciation. Depreciation is the allocation of the acquisition cost of an asset over its assigned useful life to the benefiting projects. Only straight-line depreciation is permitted. No salvage value will be used in calculations. See Appendix D.

(c) Increment. Plant increment is the surcharge to cover the increased cost of replacement over the original cost of an asset. Its purpose is to maintain the purchasing power of the Revolving Fund corpus. With the exception of leasehold improvements, no Revolving Fund owned asset is exempt from plant increment unless a waiver has been submitted and approved. Plant increment charges for Revolving Fund owned assets will discontinue only in those instances where such an item of plant is fully depreciated and there is no requirement for a replacement (See Appendix D). Requests for waiver of plant increment must be coordinated through Resource Management for concurrence prior to approval and are subject to the following approval thresholds:

- Directors of FOAs will submit plant increment waivers directly to CERM-F.

- MSC Commanders may approve requests to discontinue plant increment on assets with initial acquisition costs up to $300,000 and may delegate up to fifty percent of their authority to District Commanders. MSC Commanders will consolidate District/Division approved plant increment waivers and forward to CERM-F quarterly, until superceded by an automated reporting system. Quarterly reports are due to HQ, CERM-BA NLT the 15th day of the month following the end of the quarter. The report will include, as a minimum, property number, acquisition price and date waiver granted.

- Requests for waivers for assets with initial acquisition cost over $300,000 will be coordinated through the MSC and submitted to CERM-F for approval.

In the event that a waiver is approved on an item subsequently requiring replacement, plant increment must be reinstated. The waiver is reversed and increment is reinstated as if it had not ceased. This results in the unpaid increment being brought current and paid to the Revolving Fund in the current fiscal year. Plant increment will continue until the replacement item is placed in service. Reversal of the plant increment waiver will be coordinated through Resource Management in the same manner in which the waiver was first approved.

(d) Insurance is levied on Revolving Fund, PRIP assets, to fund an account from which the remaining book value or substantial repairs can be paid (See Appendix D).

e. Revolving Fund Cash Management. Successful financial management of the Revolving Fund requires accounts and operations to be frequently reviewed to ensure that costs are currently and equitably absorbed by the customers and that a sufficient cash balance is maintained in each USACE command to permit prompt liquidation of obligations as they mature. The actions listed below will help ensure maximum utilization of limited Revolving Fund resources.

(1) Cash flow projections in support of repayment of PRIP investment will be included with the annual PRIP submissions. The cash flow projections will address prior year, current year, budget-year and out-year income streams for depreciation, plant increment, and insurance. The projections will be calculated from the estimated and/or actual date the item is placed in service over its estimated useful life.

(2) Depreciation, plant increment, and insurance income are required to be transferred quarterly to Headquarters, IAW financial regulation. The amount transferred will be based on charges generated in the financial accounting system (See Appendix D).

(3) Reconciliation of assets in service in the finance and accounting system to the property book (real and personal) will be done annually to insure accurate and full reporting of income generated from depreciation, plant increment, and insurance.

(4) A review of assets in the process of acquisition (work in process) will be done at least semiannually to insure that assets are placed in service no later than the month succeeding the receipt of the receiving report, which should be completed upon constructive receipt of the asset.

(5) Obligation plans will be prepared annually for the purpose of monitoring program execution and identifying excess funds. Updated obligation plans will be submitted IAW mid-year review guidance from CERM-B.

4-2. PRIP Program Formulation

a. Major Items. Any item or system valued in excess of USACE approval authority is considered a major item. Major items require approval from the Assistant Secretary of Army, Civil Works (ASA (CW)), the Office of Management and Budget (OMB), and the Congressional Committees on Appropriations. Items and systems will not be subdivided to avoid the major item threshold. The major item threshold is defined in Appendix A.

(1) Major Item New Start (MINS)

(a) Commanders may request funds for design of new major items, provided such funding does not exceed the major item threshold prior to Congressional approval. Commanders will request authority from Headquarters, Resource Management before reprogramming current allocations to start design work on a new major item.

(b) The design effort for a major item must be completed to ensure scope and concept feasibility and reasonable accuracy of the cost estimate. The results of the design effort will be included in the project proposal and submitted, by the technical element, as a major item budget year request through the MSC to HQUSACE for submission to higher authority. There will be no exceptions to this requirement. Funds expended under minor items for lost design of a potential MINS should be expensed in the period in which the design was determined to be lost, but must be expensed no later than the end of the current fiscal year. Once the lost design is expensed to the appropriate funding account, a Memorandum will be forwarded through the

MSC/FOA to CERM-BA to request withdrawal of PRIP Authority and corresponding funding. See Appendix L for additional guidance.

(c) A narrative justification statement will be submitted using ENG Form 4613-R, Major Item New Start and Update of Continuing Major Items, Civil Works Revolving Fund, Plant Replacement and Improvement Program for each Major Item New Start. The justification must provide a clear and convincing need to satisfy an existing mission related requirement, as well as an adverse impact statement on mission accomplishment if the requested Major Item is not approved. Instructions for completing ENG Form 4613-R are in Appendix E of this regulation. All MINS requests will be reviewed by functional proponents at District, Division, and HQUSACE as appropriate.

(d) A complete MINS package will include the ENG Form 4613-R, an affordability analysis, PRIP payback schedule and a life-cycle economic analysis on new acquisition versus rehabilitation and, if applicable, an analysis of lease or rental options. The affordability analysis should look at the annual PRIP payback costs along with the annual ownership and operating costs. Any additional requirements will be provided in the annual budgetary guidance.

(e) If a district has more than one MINS to request, the items will be prioritized and so stated in a memorandum to division for review and approval. Divisions will review, approve, consolidate and prioritize districts' MINS requests and submit to Headquarters.

(f) Unapproved or unfunded MINS submissions must be revised, as appropriate, and resubmitted in subsequent years if the requirement remains valid. These items will not automatically be included in future year program(s).

(2) Continuing Major Items (CMI)

(a) Continuing major items are previously approved major items that will be executed in more than one fiscal year. For CMI, ENG Form 4613-R will be updated and submitted annually by the technical element, regardless of the need for budget year funds. Technical elements must coordinate changes in project scope, schedule, and/or costs with the Marine Design Center

where applicable and with appropriate division and headquarters review elements before submitting the updated form. The original MINS package submitted and approved will be updated whenever there is a change in scope and for cost increases of ten percent (10%) or more. Cost increases of less than 10% only require ENG Form 4613-R to be updated. Congressional notification and concurrence is required prior to funding changes in scope and cost increases of 10% or more. Thereafter, any additional cost increase irrespective of the dollar amount will require Congressional notification and concurrence prior to funding. Congressional notification will occur either in the next budget update or as an Out of Cycle Request if the authorization is needed in the current fiscal year.

(b) The request for funding authority will be submitted using ENG Form 4943-R, PRIP Plant Item Justification Sheet Funding Request, in accordance with annual budgetary guidance. Instructions for completing ENG Form 4943-R are in Appendix F of this regulation.

(3) Grouped Major Items.

(a) A Grouped Major Item may be established when determined by HQUSACE that like items or systems will be required Corps-wide, over a short period of time, and that the total costs of the grouped items will exceed the HQUSACE authority.

(b) Once Grouped Major Items are established, allocations will be made in accordance with the prioritized division list. Local PRIP managers/coordinators will coordinate funding requests, priority rankings, and allocation requirements with the local technical proponent for the Grouped Major Items.

(c) Additional information on the establishment of Grouped Major Items is given in Appendix E.

b. Minor Items.

(1) New Minor Items. Items that exceed the current capitalization threshold and do not qualify as major items are considered minor items. The capitalization and major item thresholds are defined in Appendix A.

(2) Continuing Minor Items. Some minor items require funding over multiple fiscal years. These items will take precedence over new minor items in prioritization.

(3) A narrative justification statement will be submitted using ENG Form 4943-R, PRIP Plant Item Justification Sheet. The justification must provide a clear and convincing need to satisfy an existing mission related requirement, as well as an adverse impact statement on mission accomplishment if the requested Minor Item is not approved. Instructions for completing ENG Form 4943-R are in Appendix F of this regulation. All Minor Item requests will be reviewed by functional proponents at District, Division, and HQUSACE as appropriate.

(4) Minor Items and Cost Increases. Cost increases will be monitored to ensure items can continue classification as a minor item and not require reclassification as a major item. Should the cost estimate increase so that it is equal to or greater than the MINS threshold, all work will be suspended. The item is then submitted as a MINS awaiting Congressional notification and concurrence. Congressional notification will occur either in the next budget update or as an Out of Cycle Request if the authorization is needed in the current fiscal year.

c. Asset Property Types and Categories. Major and minor items will be categorized using the property asset categories listed in financial regulations. No other category codes are authorized. Existing asset records bearing other category codes will be maintained until asset disposal. Appendix G provides descriptions of and acquisition guidance on the property asset codes acquired through the Revolving Fund, PRIP.

d. Annual Funding Authority. Annual funding authority provides obligation authority for minor items, continuing major items and approved major item new starts in the current PRIP program.

e. Budget Year Program. The budget year program represents requests for obligation authority for minor items, continuing major items, and major item new starts for the budget year. The budget year is the second year of the Five-Year PRIP

Plan. Major item new starts will require transmittal through ASA(CW) and OMB to Congress for approval.

f. Affordability. An affordability analysis is a decision-making tool used in the development of the Commander's investment portfolio and is required to support new requirements. An affordability analysis will consist of an analysis of alternatives (status quo, rental, lease/purchase, contract out the operation, and new acquisition) based on present value analysis using the current civil works budget guidance. Cash flow projections in support of operation and maintenance and repayment of investment cost (PRIP payback) will be part of the affordability analysis to support feasibility of new investments. For the purpose of this analysis, the PRIP payback is to be calculated using the inflation factor used in the economic analysis. The inflation factor and discount rate to be used in the economic analysis can be found in OMB Circular A-94, Appendix C, which is updated annually and may be downloaded from the website at:
http://www.whitehouse.gov/OMB/circulars

g. PRIP Payback and Annual Insurance Schedule. A PRIP Payback and Annual Insurance Schedule is a decision-making tool used to estimate the repayment of an investment over the useful life of the asset and payment of plant increment and insurance as applicable. Plant increment and insurance extends beyond the life of the asset unless waived. An example of a PRIP payback schedule is at Table 4-1.

Table 4-1 PRIP Payback And Annual Insurance Schedule	
Title/Description of Asset to be Acquired	Deck Barge
Asset Estimated Total Cost	$6,875,000
Current Fiscal Year Plant Increment Rate	1.05
Inflation Factor used in Economic Analysis or Calculated three (3) Year Average	0.01022
Number of Years Asset will be in Service. This is also the total years the asset will be Depreciated Over	8
Annual Estimated Depreciated Amount for Asset	$859,375
Date Asset will be Place in Service	1 Oct 02
Annual Insurance Fee Assessed on Asset	$0.00

YEAR	Plant Increment Factor	Annual Plant Increment Amount	Annual Insurance Fee	Annual Depreciation Amount	Total Payment
1	1.0500	42.969	0	859,375	902,344
2	1.0602	51,752	0	859,375	911,127
3	1.0704	60,534	0	859,375	919,909
4	1.0807	69,317	0	859,375	928,692
5	1.0909	78,100	0	859,375	937,475
6	1.1011	86,883	0	859,375	946,258
7	1.1113	95,666	0	859,375	955,041
8	1.1215	104,448	0	859,375	963,823
9	1.1318	113,231	0	0	113,231
10	1.1420	122,014	0	0	122,014
	TOTAL	$824,914	$0	$6,875,000	$7,699,914

h. Contingent Liability. Reserved.

i. Five-Year PRIP Plan.

(1) PRIP estimates for the Current Year and four additional years are required for future program planning. Information submitted is used to determine the overall capital investment dollar amount and the category dollar amounts for the Budget Year and future fiscal years. The importance of a multi-year program document as a planning tool cannot be overemphasized.

(2) The five-year PRIP plan shall be prepared on ENG Form 1978-R, Plant Replacement and Improvement Program, until superseded by an automated system. Instructions for completing ENG Form 1978-R are in Appendix H of this regulation.

(3) Revisions of the five-year plan should be kept to a minimum. Future plant replacement needs should be based on, as a minimum, age, operation and maintenance requirements, replacement cost, obsolescence, continuing needs in support of

changing missions, etc. MSC Commanders may delegate authority for program revision to District Commanders. A current five-year plan, with all approved changes, will be maintained at the district and division level. Revised five-year plans will be sent to Headquarters when significant program changes occur. Otherwise, submission schedules in current budgetary guidance will be followed.

j. Program Approval Authorities.

(1) District Commanders will review, prioritize and approve minor item requests, continuing major item requests, major item new start (MINS) requests, and the Five-Year Plan to ensure they are realistic and compatible with the mission of the Corps, construction schedules and workloads for submission to the Division Commander.

(2) Division Commanders will review, prioritize and approve division-wide consolidated funding authority requirements in support of minor item requests, continuing major item requests, major item new start (MINS) requests, and the Five-Year Plan to ensure they are realistic and compatible with the mission of the Corps, construction schedules and workloads for submission to Headquarters.

(3) Headquarters will review, prioritize, and approve funding authority requests, minor items, continuing major items, and major item new starts. MINS items and continuing major items, if applicable, will be submitted through ASA (CW) and OMB to Congress for authorization. Five-year plans will be reviewed for the development of out-year program requirements.

4-3. PRIP Execution.

a. Delegation of Authorities. Division Commanders are delegated authority to reprogram funds between items in their approved annual program and from items in their approved annual program to new minor items in accordance with transfer authority as provided in the annual budgetary guidance. Existing minor items and new minor items requiring additional current year funding exceeding the current year allocation will be submitted to Headquarters for approval and funding. These items will be defined as out-of-cycle requests.

b. Out-of-Cycle Requests. PRIP items identified outside of the five-year planning process, or out-year items in the five-year plan that must be moved forward, requiring funding in the current year, are considered out-of-cycle or unfunded requirements. All out-of-cycle requirements will be approved by the local commander and submitted through the MSC to Headquarters with appropriate documentation in support thereof, to include the ENG Form 4943-R. The justification statement must address the reason(s) why the item must be funded in the current year and condition(s) that precipitated the requirement, such as, safety, health, legal, environmental considerations, etc. A description of the item and its purpose and availability of current year funds within the district/MSC must also be addressed.

c. Obligation Plan. An obligation plan will be developed for each item in the approved current year program and forwarded through the MSC to Headquarters IAW budgetary guidance.

d. Surplus/Excess Funds in current year program. If surplus funds exist on a current year approved item, all items in the current year program must be evaluated for funding shortfalls and excess funds applied thereto first. If excess funds still exist, a decision must be made to either fund future, planned minor items or return the funds to HQ. Future, planned minor items are those minor items included in the submitted five-year plan.

e. Execution Reports. Execution of the PRIP program will be based on actual obligations as reported in the Corps' financial accounting reporting system and will be compared to obligation plans to measure program performance.

f. Disposal. Requests for disposal of capital assets will be coordinated with Logistics, Real Estate, and Resource Management by the technical proponent. Prior to requesting disposal, the technical proponent will ensure the Revolving Fund has received full payback, such that the book value of the capital asset is zero. All proceeds of disposal sale will be deposited in the Revolving Fund and increment charges will cease IAW financial regulations.

CHAPTER 5

BASE COMMERCIAL EQUIPMENT

Reserved.

CHAPTER 5

BASE COMMERCIAL EQUIPMENT

Reserved.

CHAPTER 6

PROJECT EQUIPMENT

Reserved.

Questions or requests for waivers to this policy will be directed through MSC commanders to HQUSACE (CERM-BA).

FOR THE COMMANDER:

12 Appendices
(See Table of Contents)

JOSEPH SCHROEDEL
Colonel, Corps of Engineers
Chief of Staff