DEPARTMENT OF THE ARMY
U. S. Army Corps of Engineers
Washington, DC 20314-1000

CERM-B

Regulation
No. 37-1-24

31 December 2001

Financial Administration
OPERATING BUDGETS

1. Purpose. This regulation provides policy guidance for the preparation and utilization of operating budgets. This regulation is not intended to replace or duplicate the policy contained in higher headquarters regulations, rather, it provides guidance specifically applicable to the Corps of Engineers.

2. Applicability. This regulation applies to all HQUSACE elements and USACE Commands.

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

4. References.

a. Office of Management and Budget (OMB) Circular A-11, *Preparing and Submitting Budget Estimates*.

b. AR 1-1, *Planning, Programming, Budgeting and Execution System*.

c. ER 5-1-11, *USACE Business Process*.

d. EP 37-1-3, *Budget Officer's Handbook*.

5. General.

a. An operating budget (OB) is a formal, written plan that interrelates and reconciles the USACE business processes with the funding sources of a command (e.g., HQUSACE, MSC, district, centers, laboratory or FOA). An OB reflects the missions and specific objectives of the command, as well as any limitations (e.g., constraining targets, available funds) imposed upon it. Regional Business Centers are expected to manage an OB (roll-up of subordinate commands OB) to ensure workload are distributed equally within their boundaries.

b. An OB is a method used by the command to manage its resources. Not only does an OB provide the command's managers with a planning tool, but also it permits the orderly recording of actual operations. Therefore, an OB can provide the basis for performing routine reviews of financial data so that corrective actions are made timely.

This regulation supersedes ER 37-1-24, 22 December 1994.

c. An OB encompasses all projected available funds, to include program funds and those funds anticipated via reimbursable orders, to capture all costs of an organization, both direct and indirect.

d. OBs are normally developed for and used throughout a single fiscal year. However, Corps activities will maintain a three-year OB cycle covering a longer period for life-cycle project management. The three-year cycle is defined as prior year, current year and budget year.

e. Some common uses of an operating budget are:

(1) Managing and controlling funds.

(2) Preparing estimates of both contracted and in-house work.

(3) Developing supporting schedules, such as monthly commitments, obligations, expenditures, outlays, etc.

(4) Establishing fringe benefit factors, facility rates, general and administrative (G&A) and departmental overhead rates.

(5) Estimating and monitoring targets such as Engineering and Design (E&D) and Construction Management (S&A or S&I).

(6) Managing and enforcing limitations on travel, administrative expenses, overtime, manpower salaries, FTE, etc.

6. Procedures.

a. All commands will establish and maintain an OB. The consolidation and integration of the operating budget are under the direction of the chief of the resource management office in the command. Further, MSC commanders will ensure that their subordinate commanders are complying with this regulation.

b. Commanders will use CEFMS products, reports or other forms that allow them to understand, manage, control and communicate, so long as the basic policies herein are followed. A complete set of sample documents is contained in EP 37-1-3.

c. The commander's approved OB will be the basis for computing rates to distribute costs (i.e., plant, shops, facilities, G&A and departmental overhead). The Chair of the Board of Trustees will approve the Regional Business Centers OB.

d. Assumptions and other budgetary guidance, such as estimates of centralized activities and manpower levels, need to be furnished Corps commanders during the formulation stage (June-July) of the OB cycle. Absent such guidance, however, commanders must make assumptions upon which to base their budgeted amounts.

e. It is HQUSACE general policy to obtain field command input before effecting any change to budget and accounting systems and procedures. Any such pending change should be considered before the commander approves the operating budget.

f. OB policies apply not only to commands and organizations but also to activities that provide consolidated services to others. Before the provider can include the costs (and income) of such services in its approved OB, the provider shall accord its customers the right to review and otherwise participate in the formulation of that consolidated services budget.

g. The operating budget will include, as a minimum:

(1) Missions Statement. A statement of new or revised missions, functions or responsibilities to be assumed, and a reference to the document describing the ongoing missions.

(2) Objectives. A brief statement of the commander's objectives in support of the Chief of Engineer's Command Goals. Objectives of a continuing nature and functional statements should not be recorded here, as they are presumed to be included in other publications.

(3) Control Guidance. A set of assumptions upon which the approved budgeted amounts is based.

(a) Organizational Changes. Information on planned internal changes, such as establishment, reorganization, re-designation, relocation, discontinuance, etc.

(b) Manpower. Distribution of military and civilian manpower authorizations assigned to each office and other pertinent guidance on the use of manpower resources.

(c) Funding. Total funds to be received and/or programmed for the fiscal year. Funds will be arrayed by appropriation and will show reimbursable orders separately. In cases of "project funds," i.e., those with statutory line item authorizations, the summary total should be appended with a detailed project listing or a reference to another official document that contains those details.

(d) Other Guidance. List any other assumptions upon which the OB is based. Specify any targets or limitations imposed either internally or by higher authorities.

(4) Financial Plan. A display, by organizational element and in summary, of the total planned expenses and funding for the fiscal year. Expenses will be broken down into resource codes and should include labor, travel, rents, utilities, other contractual services, supplies, and equipment. The resource codes should be as detailed as necessary to establish a control base. Further, the financial plan will show the source of funds (by appropriation) that corresponds to estimated expenses.

(a) The plan will include a forecasted monthly schedule of obligations and expenditures by organizational element, resource code and source of funds. The forecast should be used to evaluate ongoing performance.

(b) Additional supporting schedules could include, for example, specialized exhibits to portray cost details - i.e., charges for travel, G&A, departmental overhead or facility accounts - and income to be earned from S&A on construction placement.

h. Full participation by the commander's principal staff is necessary to make the OB useful. Therefore, commanders will establish formally a Program Budget Advisory Committee (PBAC) to deal with substantive OB issues. Membership of the PBAC should include major directorate or division chiefs. The Commander may delegate the chairmanship of the PBAC to the principal deputy commander or the Deputy District Engineer for Programs and Project Management.

i. The Commander, prior to execution, must formally approve the formulated operating budget.

7. Other Considerations.

a. Local regulations and/or a standing operating procedure should define the operating budget process.

b. The financial plan must be configured to provide feedback to the command's managers and satisfy upward reporting. Normally this feedback takes the form of cumulative monthly obligations and expenditures, scheduled versus actual, by organization, by project or task, by resource codes. It is recognized that budgeted and scheduled amounts are estimates, and therefore it is not necessary to achieve absolute precision, nor is it warranted. The OB must be responsive,

however, to management's information needs and be able to show details or accommodate revisions to upward reports.

c. The process should include a formal means whereby the OB can be changed during the year. As a minimum, a mid-year review should be performed to evaluate the status of the operating budget. Revisions may be necessary at any time to reflect major changes in programs, such as project slippages, rescissions, deferrals, and supplementals. As with the original budget, all significant changes should be approved by the commander.

d. The Corps Operating Budget module in CEFMS is the official OB automated system that is sanctioned and supported presently by HQUSACE. Corps activities are expected to use the products of CEFMS to formulate their OB. Any deviation from using CEFMS products must be approved by CERM-B.

e. The development and execution of the OB should be synchronized with the data and timing requirements of other budget and reporting systems (e.g., FORCON, P2, REMIS, etc.) in the command.

f. A checklist covering both the formulation and execution phases of the OB is included at Appendix A. Local Commanders and Resource Management Officers may use this checklist to evaluate whether the OB complies with this directive and serves the needs of the command.

FOR THE COMMANDER:

Robert Crear

ROBERT CREAR
Colonel, Corps of Engineers
Chief of Staff

1 APPENDIX
APP A - Operating Budget Checklist

APPENDIX A

OPERATING BUDGET CHECKLIST

FORMULATION

A-1. Is the initial OB formulated prior to the start of the fiscal year?

Response: YES _____ NO _____ NA _____

A-2. Are the operating budget and changes formally approved by the commander?

Response: YES _____ NO _____ NA _____

A-3. Does the OB have a mission statement?

Response: YES _____ NO _____ NA _____

A-4. Does the OB include a statement of goals and objectives by the local commander?

Response: YES _____ NO _____ NA _____

A-5. Does the OB show how much it costs to run each of the command's offices?

Response: YES _____ NO _____ NA _____

A-6. Does it show all sources of funds by appropriation, to include program funds and funds anticipated via reimbursable orders?

Response: YES _____ NO _____ NA _____

A-7. Does it distinguish between in-house operations and contracts?

Response: YES _____ NO _____ NA _____

A-8. Are the departmental and G&A overhead costs and rates separately identified? Are these rates computed on the basis of the approved operating budget?

Response: YES _____ NO _____ NA _____

A-9. Are the total project costs (direct and indirect) for all civil, military, and reimbursable projects anticipated and budgeted to ensure that no project is subsidizing others?

Response: YES _____ NO _____ NA _____

FORMULATION (Continued)

A-10. Does the operating budget list and consider all restrictions, limitations and targets assigned to the fiscal year?

Response: YES _____ NO _____ NA _____

A-11. Was HQUSACE, MSC and other consolidated and centralized activity guidance received during the formulation stage, as required in paragraphs 6d and 6f?

Response: YES _____ NO _____ NA _____

A-12. Has the OB been coordinated/reconciled with other budget/ programming requirements (e.g., OMA budgets, Civil programs)?

Response: YES _____ NO _____ NA _____

A-13. Are there monthly schedules of obligations and expenditures by individual offices?

Response: YES _____ NO _____ NA _____

A-14. Is there a published local regulation or SOP covering the formulation and execution of the OB? If so, does the OB comply with those requirements?

Response: YES _____ NO _____ NA _____

A-15. Is there a formally constituted PBAC and is it involved in the decision making process?

Response: YES _____ NO _____ NA _____

A-16. Does OB show sufficient resource code details?

Response: YES _____ NO _____ NA _____

A-17. Was CEFMS OB module used?

Response: YES _____ NO _____ NA _____

EXECUTION

A-18. Does the OB process provide timely feedback by resource code and appropriation to each office (including the commander) on a monthly or as-needed basis?

Response: YES _____ NO _____ NA _____

EXECUTION (Continued)

A-19. Do all projects have sufficient funds to finance all direct and indirect charges incurred to date and anticipated for the remainder of the year?

Response: YES _____ NO _____ NA _____

A-20. Is the OB reviewed and updated throughout the fiscal year to reflect major changes in program?

Response: YES _____ NO _____ NA _____

A-21. Periodically and at year-end, is the commander briefed on each organizational element's performance against its budget?

Response: YES _____ NO _____ NA _____

A-22. Are managers held accountable for the execution of their budget?

Response: YES _____ NO _____ NA _____

A-23. Were the targets and limitations listed in the operating budgets met (e.g., Total Labor Multiplier, S&A rate, P&D rate)?

Response: YES _____ NO _____ NA _____

A-24. Are any changes required for the next budget cycle to enhance execution? Review?

Response: YES _____ NO _____ NA _____