

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

ER 37-1-32

CERM-B

Regulation
No. 37-1-32

31 October 2016

Financial Administration
REGIONAL OPERATING BUDGET

1. Purpose. This regulation provides policy guidance for the preparation and utilization of regional 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 that are not exempt from regionalization.

3. Distribution Statement. 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. DOD FMR Volume 2A, Budget Formulation and Presentation.

c. AR 1-1, Planning, Programming, Budgeting and Execution System.

d. ER 5-1-11, USACE Business Process.

e. ER 5-1-13, USACE Policy on Regional Business Centers.

f. ER 37-1-30, Financial Administration, Accounting and Reporting.

g. USACE Command Guidance.

5. General.

a. An Operating Budget (OB) is a formal plan that interrelates and reconciles the USACE workload, workforce and business processes with the funding sources of a command (e.g., HQUSACE, MSC, district, centers, laboratory or FOA). An OB reflects the missions and objectives of the command, as well as any limitations, such as constraining targets, available funds, etc., imposed upon it. Regional Business Centers (RBC) are expected to manage a consolidated OB to ensure that the

size of the workforce is commensurate with the workload and that workload is distributed equitably within its boundaries. Some of the other uses for an operating budget include:

- (1) Allocating scarce resources and focusing on command objectives.
 - (2) Measuring performance of the organization through budget execution reviews. An example of this would be comparing the costs of resources (inputs) such as labor, travel, contracts, etc. to the activities (products) such as design, construction management, etc. Overhead rates, direct labor charge rates, and the Total Labor Multiplier (TLM) are examples of metrics used to measure performance.
 - (3) Managing and enforcing limitations on controllable expenses (i.e., travel, overtime, awards, FTE).
 - (4) Establishing general and administrative (G&A), departmental overhead (DOH) rates, and facility account rates.
 - (5) Developing supporting schedules, such as monthly obligations, expenses, etc., to track execution.
 - (6) Estimating and monitoring targets such as Engineering and Design (E&D) costs, Architect/Engineering (A/E) contracting out percentages, Construction Management Supervision and Administration costs (S&A), travel and award targets.
 - (7) Setting rates to meet Revolving Fund nominal balance targets. Nominal balance metrics are set forth in reference 4g and were established to ensure the Revolving Fund does not result in a deficit or surplus in the long-term.
- b. The Regional OB encompasses all projected available funds, to include program/project funds and those funds anticipated via reimbursable orders, to capture all costs of an organization, both direct and indirect.
- c. Regional OBs are normally developed for and used throughout a single fiscal year. 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 Regional OB. Revisions may be necessary at any time to reflect execution of the Regional OB and should be synchronized with the data and timing

of requirements of other budget and reporting systems in the command; such as, Corps of Engineers Manpower Requirements System (CEMRS), Workload and Workforce Planning (WWP), P2, RMS, etc.

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

6. Budget Formulation.

a. Operating Budget Guidance. OB guidance is integral to the budget formulation process. Assumptions, constraints and other budgetary guidance, such as estimates of centralized activities and manpower levels, need to be furnished by HQUSACE (ACE-IT, AIS, ULA, UFC, CFO, etc.) early in the formulation stage of the OB cycle. Regional and local guidance must also be provided prior to budget formulation. Local regulations and/or standing operating procedures should define the OB process and schedule. Absent such guidance, however, Commanders must make assumptions upon which to base their budgeted estimates. The RBC and District operating budget guidance will include, at a minimum:

(1) Missions Statement. A statement of the ongoing and new missions, functions or responsibilities performed by the District.

(2) Objectives. A brief statement of the commander's objectives with regards to the OB. Objectives of a continuing nature, strategic goals and objectives related to the Campaign Plan, and functional statements should not be recorded here, as they are presumed to be included in other publications.

(3) Assumptions. A set of assumptions upon which the approved budgeted amounts are based (i.e., workload, organizational changes, manpower authorizations, etc.).

(4) Control Guidance. Specify any targets or limitations imposed either internally or by higher authorities. Some examples are, travel restrictions, award guidance, training budgets, etc.

(5) Budget Formulation Schedule. The schedule should allow the Districts time to complete their budget requirements including budget entry, review, and completing the PBAC and Commander approval process. Once the Districts' review is complete, RBCs will consolidate district budgets. Time should be allowed for Regional RM review, regional PBAC discussions, and Division Commander's approval. The regional OB must be approved by 30 September of the preceding year prior to CEFMS year-end closing processes.

b. Budget Formulation Process. All district commands will establish and maintain an OB under the direction of the Chief of the Resource Management office. District OB should include projected funding and expense requirements. Upon consolidation of the District OB, the District Budget Offices complete a review. This review should take into account prior year execution, prior budgets, current execution, limits/targets, projected changes in workload, overhead expenses and division and district-specific issues. In addition, a review of projected funding estimates, to include reimbursable funding, will be completed to ensure affordability within the District and Region.

c. Once finalized, the budget will be provided to the District PBAC for discussion, review, and approval. Finally, the District Commander must approve the District Budget.

d. Approved district budgets are submitted to the Regional Budget Office for consolidation and review. The consolidated Regional OB is presented to the Regional Program Budget Advisory Committee (RPBAC) and other command groups for review and then final approval by the Division Commander.

e. The Commander's approved Regional OB will be the basis for computing regional overhead rates to distribute costs (i.e., plant, shops, facilities, G&A and departmental overhead). The G&A and DOH rates will be agreed upon and set at the regional level. Exceptions to the rates being regionalized will be approved by CERM-F. Rate changes will be established in CEFMS consistently across the region.

f. The operating budget will include:

(1) Financial Plan. A display, by organizational element and in summary, of the total planned obligations, expenses, and funding type for the fiscal year. Obligations and 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. In addition, the schedule of obligations and

expenses will be broken down into monthly estimates. The forecast should be used to evaluate ongoing performance.

(a) Obligations. Per reference 4b, an obligation is a 'binding agreement that will result in outlays immediately or in the future.' A forecasted monthly schedule of obligations is required by organizational element, resource code, and source of funds. Budgeted obligations are the driving factor for funding requirements in the OB. Upon budget approval, funds are made available in the funding accounts based on the obligation amounts included in the CEFMS OB.

(b) Expenses. Expenses are actual or accrued charges to the program, project, or overhead account. A forecasted monthly schedule of expenses is required by organizational element, resource code, and source of funds. Total expenses for the revolving fund must be included in the OB. This includes costs for shops, plant operating accounts, and facility accounts.

(2) Additional supporting schedules. Examples of this include specialized exhibits to portray cost details (i.e., travel, G&A, departmental overhead or facility accounts) and income details (i.e., income derived from S&A on construction placement).

7. Budget Execution.

a. The financial plan must be configured to provide feedback to the command's managers and to satisfy upward reporting. Normally this feedback takes the form of cumulative monthly obligations and expenditures, scheduled versus actual, by organization and 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 to management's information needs and be able to show details or accommodate revisions to upward reports. In order to create a customer-provider relationship with USACE partners, rate changes should be occasional. Stabilized rates help control project costs by establishing steady labor charges for the project.

b. Budget execution reviews are performed using the financial plan and actual execution. The purposes of budget execution reviews include providing feedback to management, meeting upward reporting requirements, ensuring equitable spending throughout Districts and the Region, providing adequate time for adjustments to execution, and ensuring spending limits are not exceeded and spending targets are met.

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c. Execution reviews should be conducted monthly, quarterly, and annually. During the mid-year review, Districts and Divisions will rely on budget execution reviews to provide a basis for budget changes. Reviews are performed at the district and regional level. Examples of execution reviews include: detailed cumulative and monthly obligations and expenditures reports; scheduled versus actual labor, travel, and other expenses reports; and direct labor versus total labor charging to ensure income requirements are being met.

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. HQ reviews are based on the metrics listed in reference 4g. Divisions will provide explanations on red-rated metrics. The forum for providing explanations and feedback are the Directorate Management Review (DMR) meetings, which are scheduled quarterly through HQ.

f. In addition to execution reviews and HQ reviews, internal controls should be established by the District and Division to ensure reliable financial estimating and reporting, effective and efficient operations, and compliance with applicable laws and regulations.

FOR THE COMMANDER:



PAUL E. OWEN
COL, EN
Chief of Staff

Appendix A
Operating Budget Checklist

APPENDIX A

Operating Budget Checklist

Formulation

A-2. 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 _____

Formulation (continued)

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 _____

A-10. Does the operating budget list 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 6a through 6e?

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 _____

Formulation (continued)

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 _____

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 _____

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