

The following information is for team members who are involved in the initiation, recording and approval of accruals.

Accruals continue to be a CFO area of emphasis Corps-wide. External audits and internal reviews continue to reveal a substantial number of accruals that are significantly overstated, improperly computed or lack supporting documentation.

Attached is the updated headquarters accrual policy. The policy requires all accruals be adequately supported and a standard support documentation form be used for all accruals over \$2,500. Headquarters policy also requires the Resource Management Office to approve all accruals over \$100,000 prior to entry into CEFMS. Documentation forms with support for accruals over \$100,000 should be emailed or faxed to Tim Tynes at (817) 886-6428 for approval. These forms will be returned to the originator after approval for entry into CEFMS. All support forms must be available for audit purposes and maintained for 1 year after payment is made or the accrual is reversed. Three sample support forms are attached to provide examples of a properly documented form.

Headquarters also requires the Resource Management Office to review all accrual activity and obtain justifications for outstanding accruals over 90 days old and accruals that were disbursed for less than 70% of the accrued amount. Requests will be sent to the Division Chief and originator for any accruals that require additional review.

If you have any questions regarding this headquarters requirement, please contact Tim Tynes at (817) 886-1415 or me.



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
441 G STREET NW
WASHINGTON, D.C. 20314-1000

CERM-F (37)

MEMORANDUM FOR COMMANDERS, ALL MAJOR SUBORDINATE COMMANDS (MSC),
FIELD OPERATING ACTIVITIES AND ENGINEER RESEARCH DEVELOPMENT CENTER

SUBJECT: Accruals Policy Update—Use of Standard Support Form for Accruals

1. References:

- a. CERM-F Memorandum, 17 Sep 03, subject: USACE Accruals Policy.
- b. CERM-F Information Paper Number 8, subject: Proper Recording of Accounts Payable/Accruals.

2. Current U.S. Army Corps of Engineers (USACE) policy requires recording of accruals in Corps of Engineers Financial Management System (CEFMS) if the event in question has actually occurred and reasonable documentation exists to support the amounts recorded. Reasonable documentation is generally considered documentation that would allow another reasonably knowledgeable individual to come to the same logical conclusion. Below are five different types or examples of documentation that auditors require when auditing accruals:

- a. Receiving reports, executed bills of lading, shipping documents, issue and turn-in slips, job sheets, or other documents that prove constructive delivery, work was performed, services were rendered, or materiel was received.
- b. Unpaid invoices from vendors that have been approved for payment, including progress payment requests.
- c. Journal vouchers, or their equivalent, showing accrual estimates made by responsible individuals where these documents are used in keeping with accepted accounting practice, for example, estimates of construction-in-progress/work-in-progress. Use of email to provide rationale for estimates or correspondence with contractors is acceptable.
- d. Obligation documents in cases where accrued expenditures are recorded simultaneously with obligations and services have been performed.
- e. Completion of work documents.

3. During the Army Audit Agency's (AAA) validation review of USACE accounts payable and accruals, AAA found:

CERM-F

SUBJECT: Accruals Policy Update—Use of Standard Support Form for Accruals

- a. USACE was not consistent with fully supporting the accrual amounts in CEFMS.
 - b. Full support was not maintained until the actual payment had been recorded or accrual reversed.
 - c. Accrual amounts based on average payments were computed inconsistently.
4. As a result of the audit findings, this memorandum updates USACE policy to ensure individuals who enter accruals into CEFMS maintain all accrual documentation ready for audit. To standardize documentation for all accruals over \$2,500, the enclosed accrual support form must be completed by the responsible employee for that accrual and be maintained for audit. The \$2,500 is not a threshold for entering accruals; it is only a threshold for use of the form. All valid accruals must be entered regardless of amount. In addition, Resource Management must review and approve the supporting documentation for all accruals over \$100,000. All accrual forms and supporting documentation must be retained for one year after payment is made or the accrual is reversed. If the accrual is reversed and less than 70% of the original amount accrued is subsequently disbursed, a statement must be included on the support form explaining the variance.
5. The Standard Support Form requirement is effective immediately. In addition, all of the requirements of reference 1.b., above, remain in effect. My point of contact is Edsel Fraley 202-761-0549.

FOR THE COMMANDER:

Encl


STEPHEN COAKLEY
Director of Resource Management

SWF ACCRUAL DOCUMENTATION FORM

Accruals over \$2,500 Accruals over \$100,000 require advance approval

HQ,USACE policy requires supporting documentation be maintained for all accruals over \$2,500. Accruals over \$100,000 must be approved by CESWF-RM-F in advance of entering the transaction in CEFMS. This form and all supporting documentation for the accrual must be maintained on file by the office responsible for the accrual for one year after payment is made or the accrual is reversed.

Accrual obligation number, delivery number, line item and description of goods/services:

Accrual amount _____

Provide an explanation & your calculation of how you determined the accrued amount – to include quantity (est. or actual) of goods or services received. The estimate can be based on purchase order amount, percentage of completion, historical data, or quote from vendor. If vendor was contacted, please provide name of vendor POC. If accrual is based upon vendor quote, attach that documentation to this form.

Contract period of performance _____

Accrual period of performance _____

We certify that this amount is reasonable and appropriate for the above goods or services. We understand that the invoice should be received within 30 days. If the invoices are not received within 30 days the approving official is responsible for immediate follow up with the vendor to obtain the invoice.

Accrual Responsible Employee	Date	Phone
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Manager/Supervisor Signature	Date	Phone
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RM-F Approver (Accruals over \$100k)	Date	Phone
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DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

CERM-F (37)

17 SEP 2003

MEMORANDUM FOR ALL USACE COMMANDS

SUBJECT: USACE Accruals Policy

1. References:

- a. CERM-F Memorandum, Accrual Accounting Guidance for USACE activities, June 2002.
- b. Engineering Regulation 37-2-10, Financial Administration - Accounting and Reporting Civil Works Activities.
- c. CERM-F Memorandum, USACE Accruals Policy, 9 September 2003.

2. Accrual accounting provides that revenues and matching expenditures are recognized in the period earned, regardless of when payment is received or disbursed. Accrued expenditures represent the amount of liability incurred (whether or not paid) for goods or services received or assets acquired. USACE and CEFMS business processes use the accrual accounting concept. Thus, proper controls over the process are vital to the integrity of our financial information. The HQUSACE policy provides the specific guidance for accrual accounting. This policy is applicable to both our Civil Works and Military Programs.

3. Policy Clarification. Accruals shall only be recorded into CEFMS if the event in question has actually occurred and reasonable documentation exists to support the amounts recorded. Reasonable documentation is generally written documentation that would allow another reasonably knowledgeable individual to come to the same logical conclusion. In addition we are providing the following additional details, which are effective immediately.

- a. For year-end, all accruals should be recorded regardless of dollar value. We plan to establish a USACE wide accrual threshold for FY 04. Department of Defense Inspector General is requiring all appropriate accruals be recorded for FY 03.

CERM-F (37)

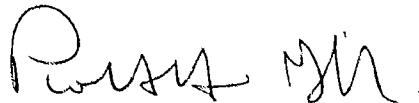
SUBJECT: USACE Accruals Policy

b. Accruals should not be reversed until the goods or services have been received and the receiving report is ready to be recorded or the accrual is determined to be invalid. Resource Management must perform a quarterly review of open accruals to ensure they are being reversed on a timely basis. Any accrual over ninety days old requires justification from the originator as to why it remains open. Normally accruals will be reversed and actual cost recorded in the month following the initial recording of the accrual. Only under extra-ordinary situations should an accrual exceed 90 days.

4. I believe we are improving in this area and to ensure we continue to do so I am also requesting the USACE Director of Resource Management perform a review of USACE (Civil Works and Military Programs) accruals at year-end. If USACE accrual procedures are not followed during FY 03 year-end, it will have adverse impacts on FY 04 work allowances and could also contribute to an adverse opinion on our FY 03 financial statements.

5. If you have any questions, please contact Dora Wilson, CERM-F, 202-761-1926.

FOR THE COMMANDER:



ROBERT H. GRIFFIN
Major General, USA
Deputy Commander

Need your help on
this one!

INFORMATION PAPER
24 Jun 05

Issue #8: Proper recording of Accounts Payable / Accruals

References:

1. CERM-F Memorandum, USACE Accruals Policy, 9 Sep 2002.



CERM-FSEPFY021.p
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2. CERM-F Memorandum, Accrual Accounting Guidance for USACE Activities, revised April 24, 2002.



Accrual Acctg
Policy-Revised.d...

3. Engineering Regulation 37-2-10, Financial Administration - Accounting and Reporting Civil Works Activities.

<http://www.usace.army.mil/inet/usace-docs/eng-regs/er37-2-10/toc.htm>

Description: Accrual basis of accounting mandated by GAO requires recognition of revenues and expenses in the financial records when earned even though the financial process may not have been completed (i.e. receiving report completed, invoice received.) That is, expenditures are recognized when goods and services are received or furnished without regard to whether an invoice has been rendered or a disbursement has been made. The concept recognizes all transactions in the accounting records as the transactions or events take place or become effective. Liabilities are recorded when the goods or services are received (including labor costs), assets when acquired or constructed, income when earned, expenses when incurred or when resources are consumed through use.

AAA had discussed accruals as an area of focus on the FY 01 review with emphasis on those made on the expenditure side. AAA determined that an extremely large percentage of accrued accounts payable were not disbursed in a timely period following the end of the FY. This makes the amounts we accrued in September highly suspicious and AAA made USACE adjust its FY 01 CW statements by \$161M. Poor accrual procedures could also impact the eliminating entries we perform each quarter with our trading partners. This waiver directs all of our DOD trading partners to change their account receivables to match our account payables on the premise our figures have the better support. If our account payables are not found to be supported OSD could revoke our waiver.

Accruals shall only be recorded into CEFMS if the event in question has actually occurred **and reasonable documentation exists to support the amounts recorded** . Reasonable documentation is generally considered documentation that would allow another reasonably knowledgeable individual to come to the same logical conclusion and is defined more

specifically in the Accrual Accounting Guidance for USACE Activities (attached). In addition we are providing the following additional details, which are effective immediately:

Timing. Accruals will be recorded consistently in accordance with HQUSACE Accruals Policy on at least a quarterly basis. **All valid accruals should be recorded at year-end regardless of dollar value.**

Reversals. Accruals should be reversed when a receiving report or invoice can be recorded or the accrual is determined to be invalid. Accruals should not be reversed until the goods or services have been received and the receiving report is ready to be recorded or the accrual is determined to be invalid. Any accrual over ninety days old requires justification from the originator as to why it remains open. Normally accruals will be reversed and actual cost recorded in the month following the initial recording of the accrual. Only under extra-ordinary situations should an accrual exceed 90 days.

Requirements for Compliance:

Standard: Execute (at least monthly) the (outacrl) reports. Ensure all accruals on report are supported and valid in compliance with HQUSACE Accrual Policy.

- a. All liabilities are recorded when earned, i.e. in the proper accounting period. Receiving reports are prepared within 5 workdays after receipt and acceptance of goods or services. Accounts payable account includes only valid accounts payable and proper documentation exist to support the liability and date of the liability.
- b. Record accruals, IAW USACE guidance referenced above and proper supporting documents for accrual estimates must be maintained. Accrued expenditures should reflect liabilities incurred for (1) services performed; (2) goods received; (3) amounts becoming owed; Expenditures accrue regardless of when cash payments are made or invoices have been rendered.

Note: The Outstanding Accruals report is to be used to evaluate the activity of open accruals on your database. All accruals which reflect no disbursement activity since the 30 September accrual was processed and any current year accruals over 90 days old should be reviewed and reversed as appropriate. A description of the report follows:

- a. The Outstanding Accruals Report contains two sections. The first section reflects outstanding accruals based upon the parameters entered by the user. The second section of the report is a Command Management Review tool, which reflects the activity of accruals, which were outstanding as of the end of the prior fiscal year.
- b. The user may request a full report, which will contain both sections or may request each section separately. Dependent upon the option selected the user may ask for the data in several different formats. The employee option will allow the user to select the employee who approved the accrual or the employee who is responsible for the work item. The report can be generated for one or all appropriations and appropriation totals will be reflected at the end of the first section of the report.

Field Action: Comply with standard as written.

Self-Assessment Rating Criteria:

Green (Compliant): The outaccrl report has been reviewed, all accruals over 90 days are supported and valid, and any invalid accruals have been reversed. Review ageapay report and determine validity of all A/P over 90 days. Assure compliance with Tri-Annual review requirements.

/s/
Mike Walsh
CERM-F
(202) 761-5440
24 Jun 2005

SAMPLE #1
SWF ACCRUAL DOCUMENTATION FORM

Accruals over \$2,500
Accruals over \$100,000 require advance approval

HQ,USACE policy requires supporting documentation be maintained for all accruals over \$2,500. Accruals over \$100,000 must be approved by CESWF-RM-F in advance of entering the transaction in CEFMS. This form and all supporting documentation for the accrual must be maintained on file by the office responsible for the accrual for one year after payment is made or the accrual is reversed.

Accrual obligation number, delivery number, line item and description of goods/services:

DACW63-06-P-1234, LI # 1

Special order mega-widget

Accrual amount \$3,000.00

Provide an explanation & your calculation of how you determined the accrued amount – to include quantity (est. or actual) of goods or services received. The estimate can be based on purchase order amount, percentage of completion, historical data, or quote from vendor. If vendor was contacted, please provide name of vendor POC. If accrual is based upon vendor quote, attach that documentation to this form.

The accrual amount is for the mega-widget to be shipped overnight on September 27 2006. The accrual is based on the purchase order amount.

Contract period of performance September 2006

Accrual period of performance September 27 2006

We certify that this amount is reasonable and appropriate for the above goods or services. We understand that the invoice should be received within 30 days. If the invoices are not received within 30 days the approving official is responsible for immediate follow up with the vendor to obtain the invoice.

<u>Emaline Brewbaker</u>	<u>September 27 2006</u>	<u>817-999-1234</u>
Accrual Responsible Employee	Date	Phone

<u>Townes Van Berger</u>	<u>September 27 2006</u>	<u>817-999-1235</u>
Manager/Supervisor Signature	Date	Phone

RM-F Approver (Accruals over \$100k)	Date	Phone
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SAMPLE #2
SWF ACCRUAL DOCUMENTATION FORM

Accruals over \$2,500
Accruals over \$100,000 require advance approval

HQ,USACE policy requires supporting documentation be maintained for all accruals over \$2,500. Accruals over \$100,000 must be approved by CESWF-RM-F in advance of entering the transaction in CEFMS. This form and all supporting documentation for the accrual must be maintained on file by the office responsible for the accrual for one year after payment is made or the accrual is reversed.

Accrual obligation number, delivery number, line item and description of goods/services:

DACW63-0-D-1234, DO# 06LI # 1

Mowing contract

Accrual amount \$4,000.00

Provide an explanation & your calculation of how you determined the accrued amount – to include quantity (est. or actual) of goods or services received. The estimate can be based on purchase order amount, percentage of completion, historical data, or quote from vendor. If vendor was contacted, please provide name of vendor POC. If accrual is based upon vendor quote, attach that documentation to this form.

The accrual amount is for mowing of Happy Camper Park and River Park. The parks will be mowed the week of 25 September. The amount is based on the average cost of monthly mowing for these parks during the year

Contract period of performance April - October 2006

Accrual period of performance September 25-29 2006

We certify that this amount is reasonable and appropriate for the above goods or services. We understand that the invoice should be received within 30 days. If the invoices are not received within 30 days the approving official is responsible for immediate follow up with the vendor to obtain the invoice.

<u>Pennelope Beaudreaux</u>	<u>September 27 2006</u>	<u>817-999-1234</u>
Accrual Responsible Employee	Date	Phone

<u>Thomas Cat</u>	<u>September 27 2006</u>	<u>817-999-1235</u>
Manager/Supervisor Signature	Date	Phone

_____	_____	_____
RM-F Approver (Accruals over \$100k)	Date	Phone

SAMPLE #3
SWF ACCRUAL DOCUMENTATION FORM

Accruals over \$2,500
Accruals over \$100,000 require advance approval

HQ,USACE policy requires supporting documentation be maintained for all accruals over \$2,500. Accruals over \$100,000 must be approved by CESWF-RM-F in advance of entering the transaction in CEFMS. This form and all supporting documentation for the accrual must be maintained on file by the office responsible for the accrual for one year after payment is made or the accrual is reversed.

Accrual obligation number, delivery number, line item and description of goods/services:

DACA63-06-C-1234, 06LI # 1

Construction of new barracks

Accrual amount \$105,000.00

Provide an explanation & your calculation of how you determined the accrued amount – to include quantity (est. or actual) of goods or services received. The estimate can be based on purchase order amount, percentage of completion, historical data, or quote from vendor. If vendor was contacted, please provide name of vendor POC. If accrual is based upon vendor quote, attach that documentation to this form.

The accrual amount is based on percentage of contract completion for the period 16-30 September. Total contract amount is \$840,000. The last payment was made for performance thru 15 September. Total earnings to date is \$420,000 less cumulative earnings paid of \$315,000 equal accrual of \$105,000.

Contract period of performance August - November 2006

Accrual period of performance September 16-30 2006

We certify that this amount is reasonable and appropriate for the above goods or services. We understand that the invoice should be received within 30 days. If the invoices are not received within 30 days the approving official is responsible for immediate follow up with the vendor to obtain the invoice.

<u>Elvira Jones</u>	<u>September 21 2006</u>	<u>817-999-1234</u>
Accrual Responsible Employee	Date	Phone

<u>Thomas Cat</u>	<u>September 22 2006</u>	<u>817-999-1235</u>
Manager/Supervisor Signature	Date	Phone

<u>Tim Tynes</u>	<u>September 23 2006</u>	<u>817-886-1215</u>
RM-F Approver (Accruals over \$100k)	Date	Phone