

ARS CSREES ERS NASS

Bulletin

Title: Capturing Operations and Maintenance Costs

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Originating Office: Financial Management Division

Distribution: ARS Deputy Area Directors
Area Budget and Fiscal Officers
Area Property Managers
Location Administrative Officers

This bulletin provides guidance on capturing Operations and Maintenance costs at the Location level and supplements the Agency's Annual Resource Management Planning (ARMP) Guidance. This update clarifies the definition of O&M Costs on Page 3.

Background:

On February 4, 2004, President Bush signed Executive Order 13327 “Federal Real Property Asset Management.” The purpose of the order is to promote the efficient and economical use of America’s real property assets and to assure management accountability for implementing Federal real property management reforms. Based on this policy, executive branch departments and agencies shall recognize the importance of real property resources through increased management attention, the establishment of clear goals and objectives, improved policies and levels of accountability and other appropriate action.

The executive order defines Federal real property as real property owned, leased, or otherwise managed by the Federal Government, both within and outside the United States, and improvements on Federal lands.

In addition, the order required that each Agency establish a Senior Real Property Officer. The Senior Real Property Officer is responsible for the development and implementation of the agency asset management plans. One performance measure that the plan must include is capturing the operating, maintenance, and security costs at Federal properties.

Currently, it is difficult to obtain actual operating and maintenance costs and assign them to an asset (land, building, or structure) through our existing accounting process. Additionally, many buildings are not metered separately. Overhead, salaries and raw materials from maintenance is meshed together and not separable without major changes in our business practices.

In fiscal year (FY) 2005, a team was convened to develop a strategy for capturing operations and maintenance (O&M) costs by asset. This bulletin defines O&M costs and provides direction for capturing them separately in the official accounting system and developing a methodology for assigning these costs to each asset (land, building, or structure).

Acronyms:

ARMP - Annual Resource Management Plan

BOCC - Budget Object Classification Codes

CATS - CRIS Allocation Tracking System

COR - Contracting Officer’s Representative

CPAIS - Corporate Property Automated Information System

CRIS - Current Research Information System

FFIS - Foundation Financial Information System

IRC - Indirect Research Costs

OMB - Office of Management and Budget

STAR - System for Time & Attendance Reporting

TUMS - Telephone and Utilities Maintenance System

UAI - Unique Asset Identifier

Definitions:

Asset - asset is an individual building (not group of buildings), structure, or land at a location.

Operating and Maintenance Costs - the expenses under this heading are those that have been incurred for the (facilities) administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of building not falling under the capitalized improvement criteria, facility-related equipment (chiller, walk-in-box, etc.); care of grounds; maintenance and operation of buildings and other plant facilities; security; environmental safety; facility-related hazardous waste disposal (i.e., asbestos removal, lead-based paint abatement, pond clean-up, etc. Not laboratory chemical disposal costs.); facility planning and management; and central receiving. The operation and maintenance expense category should also include its allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.

The following is a listing by BOCC of the types of O&M costs to be captured by the location:

- 1100 - Personnel Compensation (related to facilities management/operation)
- 2311 - Electricity
- 2312 - Natural Gas
- 2313 - Water, Trash, and other services
- 2320 - Communications Services
- 2330 - Communications Services GSA
- 2340 - Rents - Building
- 25XX - Other Services (related to facilities operation)
- 26XX - Supplies and Materials (related to facilities operation)
- 3280 - Accountable-Noncapitalized Land and Structures
- 3290 - Nonaccountable-Noncapitalized Lands and Structures

Capturing O&M Costs:

In order to facilitate the capturing and reporting of O&M costs, each Area will establish a new accounting code for each of their locations in FFIS. The accounting codes for FY 2007 will be 701XXXX966. XXXX represents the location's fourth level mode code.

Each location will develop an ARMP package specifically for O&M costs at the location using this 701XXXX966 accounting code. NOTE: these costs were previously captured under the IRC account(s); now they must be separated out into their own specific ARMP.

In order for these O&M charges to be charged to the new accounting code, locations will need to change utility accounts and telecommunication accounts in TUMS to the new O&M accounting code. Timekeepers will need to change all O&M associated salaries to the O&M accounting code in STAR effective Pay Period 20 in 2006. Any purchase orders or contracts will need to be issued using the new accounting code at the start of FY 2007.

Distributing Costs to Asset:

Each location must develop a methodology for distributing these O&M costs to the appropriate land/building/structure. This process may be a mirror of that currently used to distribute costs to CRIS. As with IRC distribution to CRIS, different methods may be used for distributing costs to asset. For instance, custodial service may be distributed using one mechanism. Electrical costs may be assessed to different facilities (land/building/structure) depending on the type of facility and the amount of usage. Each facility person's time will have to be distributed between the different assets. And so on.

Once this methodology is complete, the locations will develop a percentage for each building representing its share of the total anticipated cost. Enclosed is a listing of acceptable methods for distributing different types of costs. Alternative methods may be employed as long as they are justifiable and can withstand audits.

Annual Reporting:

Annual reporting of O&M Costs by asset can be accomplished by taking the final/total obligation in the O&M account and multiplying by the location's developed percentage(s). A second method for reporting O&M costs is for locations to develop a sub-account in CATS under the O&M account for each asset. If this method was chosen, each entry in CATS would have to be assigned to a sub-account or split among sub-accounts. This may get very complicated and labor-intensive at large locations but is an option for the locations to consider.

This information will have to be computed at the location level and reported through the Area to the Facilities Division (FD). FD will provide separate guidance on deadlines for reporting.

The long term goal is that the percentages determined by the locations will be fed to a new module developed in CPAIS. Every time an expense is recorded in FFIS, it will be fed to CPAIS and distributed automatically to the correct asset(s). Until this module is developed, the information will have to be calculated (either manually or using CATS) and reported to FD for consolidation.

For questions or assistance related to this bulletin, please contact your Deputy Area Director.

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Accepted Methods for Distribution of Operations & Maintenance Costs

<u>Cost</u>	<u>Possible Methods of Distribution</u>
Janitorial Services	Weighted Space FTE Cost as Determined by Contract
Telephones	FTE Number of Instruments
Utilities	Consumption Based on Meter Readings Weighted Space
Repairs and Ordinary or Normal Alterations (not falling under the capitalized improvement criteria)	Identify Asset the Repair Supports Space Historical Usage Data
Care of Grounds	Number of Acres Assigned to Project FTE SY
Maintenance and Operations of Buildings	Weighted Space
Security	Weighted Space
Hazardous Waste Disposal	SY
Facility Planning and Management	Space
Central Receiving	SY FTE