

CHAPTER 17

ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS1701 GENERAL

170101. Purpose. This chapter identifies accounting requirement applicable to the acquisition and/or construction of real property. It addresses (A) costs to be charged to appropriations available for military construction (these costs are referred to as funded costs); (B) costs that, although financed by appropriations or funds other than those available for a specific construction project, are to be capitalized as part of the real property investment (these are referred to as unfunded costs); (C) preparation of accounting source documents required to support entries to real property accounts; (D) obligation and expenditure restrictions and limitations for military construction projects, and (E) various other related functions.

170102. OverviewA. Authorization Requirements

1. Each year an annual or biennial request for major construction projects and programs is submitted to the Congress. Requests presented are reviewed, adjusted, and approved through established command and staff channels, including the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) before submission to the Congress for authorization. Guidance for submitting military construction projects for authorization is provided by the Assistant Secretary of Defense (Economic Security) in conjunction with the ODC(P/B).

2. Requests for authorization are confined to projects that reasonably can be expected to be executed within the fiscal year requested.

3. Authorization requests for major construction projects are supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects shall be arranged by state and/or installation. These data shall be accompanied with comparative data on the existing real property inventory and projects expected to be subject to future authorization requests. Related data with respect to approved missions and proposed forces also should be provided. Programs also should be evaluated with respect to that portion of a project subject to request for immediate authorization and that portion deferred for future authorization requests.

B. Appropriation Requirements

1. Appropriation requests in support of all new military construction projects are submitted to the Congress annually or biennially, as required. Military construction appropriations generally are available for obligation for five fiscal years. Such appropriation requests are consistent with existing authorizations, authorization requests, or other requests for

funds, as applicable, and include specific budget estimates for those projects for which legislative authorization has been, or is being, requested.

2. Individual projects must be authorized and appropriated in consonance with Title 10, United States Code, sections 2821, 2822, 2824 and 2825.

3. Consistent with congressional authorization and the reprogramming criteria provided in [Chapter 7](#) of this Volume, and within total amounts appropriated in each annual appropriation act, adjustments may be made as necessary to finance to completion the cost of (a) projects previously approved and started, (b) projects expected to be started during the current fiscal year, and (c) other project costs that represent valid unfinanced requirements for the budget year. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

4. Individual projects cited as a source of funds for reprogramming shall be limited to the new total cost included in the estimate given to the Congress.

C. Planning and Design

1. Planning and design functions are efforts necessary to develop preliminary project cost estimates.

2. Title 10, United States Code, section 2807 authorizes the Secretary of the Military Department concerned to perform planning and design efforts for military construction or land acquisition projects. Such efforts, to the extent accomplished within amounts otherwise appropriated, may be accomplished without specific congressional authorization for the project involved. For projects where the estimated design costs exceed the amount established in 10 U.S.C. 2807, the Secretary of a Military Department shall notify the appropriate committees of the Congress not less than 21 days before the initial obligation of funds for such services. This provision applies only to the Military Service active components. There is no requirement for the Reserve Components to notify the committees at any design cost threshold.

3. Functions that may be performed under the authority of planning and design are as follows:

a. Architectural and engineering services and construction design required for site investigation, survey, mapping, or sketches.

b. Preparation of cost estimates for construction and land acquisition projects.

c. Preparation of plans, specifications, special studies, including value engineering, and construction contract documents.

- d. Construction management of projects that are funded by foreign governments for which elements of the Armed Forces of the United States are the primary user.
- e. Development and updating of design criteria and manuals.
- f. Preparation of standard designs and definitive drawings used on military construction projects.
- g. Management of military construction program design and contract administrative services for design.
- h. Certification of project cost.
- i. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects.
- j. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

D. Major Construction

1. Major military construction projects include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of (a) facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project or (b) any project, regardless of cost, approved as a specific line item in the Military Construction budget request. Costs of a major construction project should include the following:

- a. Surveys, demolition and site preparation.
- b. Acquisition, conversion, rehabilitation, and installation of facilities.
- c. Acquisition and installation of equipment and appurtenances integral to the project.
- d. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project.
- e. Supervision, administration, and overhead incident to the project.

f. Design and support of design for construction projects after construction award (includes change orders, value engineering proposals, and as-built drawings).

2. Specifically excluded from major construction are those costs identified as minor construction, planning and design, or supporting activities. Efforts financed by other than military construction appropriations are discussed in section 1703, below.

E. Emergency Construction

1. The Secretaries of the Military Departments and Directors of Defense Agencies may carry out a major construction project under the authority of 10 U.S.C. 2803, after appropriate congressional notification. Additional guidance is contained in DoD Directive 4270.36, "DoD Emergency, Contingency, and Other Unprogrammed Construction." Emergency construction is limited to those projects where it is determined that:

a. The project is vital to national security, protection of health and safety, or quality of the environment.

b. The requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security, protection of health and safety, or quality of the environment.

2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned shall submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2803 and [Chapter 7](#) of this Volume. Each reprogramming request shall include the following:

a. Justification for, and the current estimate of, the cost of the project.

b. Justification for carrying out the project as an emergency construction project.

c. A statement as to the source of funds to be used for the project.

3. Emergency construction projects shall be financed within amounts appropriated for military construction that have not been obligated for other purposes. The maximum amount that may be obligated by each Military Department in any fiscal year is established in 10 U.S.C. 2803.

4. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

5. Except as otherwise specifically provided for, emergency construction projects shall be subject to the same restrictions and limitations as major construction projects. Additionally, the identification and treatment of costs for emergency construction projects shall be consistent with that for major construction projects.

6. There is no provision for emergency construction for the Reserve Components.

F. Contingency Construction

1. Title 10, United States Code, section 2804 and the annual Military Construction Appropriation Acts contain authority that authorized projects of an urgent nature to be funded from the Contingency Construction Account. Such efforts, to the extent accomplished within amounts appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress. In addition, there is a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

2. A project financed under this authority requires a determination that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. Additional guidance is contained in DoD Directive 4270.36.

3. When a decision is made to request approval for an contingency construction project, the DoD Component concerned shall submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2804 and [Chapter 7](#) of this Volume. Each reprogramming request shall include the following:

a. Justification for, and the current estimate of, the cost of the project.

b. Justification for carrying out the project as an contingency construction project.

c. A statement as to the source of funds to be used for the project.

4. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

G. Environmental Response Actions

1. Title 10, United States Code, section 2810 contains authority that authorizes the Secretary of Defense to carry out construction projects for environmental response actions. Such efforts may be accomplished without specific congressional authorization for the project involved. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress. In addition, there is a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

2. When a decision is made to request approval for an environmental response action construction project, the applicable DoD Component concerned shall submit a request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2810 and [Chapter 7](#) of this Volume. Each reprogramming request shall include:

a. Justification for, and the current estimate of, the cost of the project.

b. A statement as to the source of funds to be used for the project.

H. Construction in the Event of a Declaration of War or National Emergency

1. Title 10, United States Code, section 2808 contains authority that authorizes the Secretary of Defense to undertake military construction projects, without regard to any other provision of law, in the event of a declaration of war or the declaration by the President of a national emergency that requires use of the Armed Forces of the United States.

2. Such projects may be undertaken only within the total amount of funds that have been appropriated for military construction, including funds appropriated for family housing, that have not been obligated. (This authority shall terminate at the end of the war or national emergency). Use of this authority requires the Secretary of Defense to notify the appropriate committees of Congress. Additional guidance is contained in DoD Directive 4270.36.

I. Minor Construction

1. Projects that involve the acquisition (except land), new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are considered to be minor construction projects when (a) the cost of the project does not exceed such amount as may be specified by 10 U.S.C. 2805 for the Active Components and 10 U.S.C. 18233a for the Reserve Components and (b) the project has not been included in the budget request as a specific line item.

2. When a minor construction project costing more than amounts established in 10 U.S.C. 18233a is undertaken, appropriate congressional committees shall be

notified prior to the start of the project. The project then may be carried out only after the end of the 21 day period beginning on the day the notification is received by the committees, or after each such committee approves the project, if the committees approve the project before the end of the 21 day period. Funds cannot be obligated for construction until committee approval is obtained.

3. Title 10, United States Code, section 2805 contains authority that authorizes the Secretary of Defense to carry out minor construction projects within an amount equal to 125 percent of the amount authorized by law for such purposes without specific congressional authorization, except as provided in 10 U.S.C. 2805(a)(2). Use of this authority requires written notification to the appropriate committees of Congress and a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

4. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects; however, design costs are not excluded from capitalization.

5. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement. Further, each project must, to the maximum extent possible, be consistent with the appropriate installation master plan. Requests for project approval must fully disclose the relation of the project to the master plan and must detail further planned construction to the same or closely related facilities.

6. DoD Components are precluded from using materials, supplies, or items of installed capital equipment on their own minor construction projects on a nonreimbursable basis.

7. Prerequisites for establishing a minor construction project include identification of the required end result of the project and its correlation with the appropriate installation master plan.

8. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly constitute a separate minor construction project. However, minor construction projects undertaken under the authority of 10 U.S.C. 2805 must be consistent with the intent of the statute as to what constitutes a separate project.

9. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects; that is, incremental-type construction is prohibited.

Notwithstanding any other provisions for approval of minor construction projects, no project may be proposed to be accomplished under minor construction authority that previously has been

deleted by the Congress from proposed military construction authorization legislation or otherwise disapproved of by the Congress.

J. Restoration or Replacement of Damaged or Destroyed Facilities

1. The Secretaries of the Military Departments, with the approval of the Secretary of Defense, may request congressional approval to repair, restore or replace a facility that has been damaged or destroyed for which legislative authorization and appropriation has not been provided.

2. Title 10, United States Code, section 2854 requires that Congress be notified in writing when the cost of a project is greater than the amount specified in 10 U.S.C. 2805 for minor construction.

3. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned shall submit a request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2854 and [Chapter 7](#) of this Volume. Each reprogramming request shall include:

a. Justification for, and the current estimate of, the cost of the project.

b. A statement as to the source of funds to be used for the project.

4. Restoration or replacement projects shall be financed within amounts appropriated for military construction that have not been obligated for other purposes.

5. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

K. Supporting Activities

1. Funding for supporting activities provides for access roads under authorization contained in 23 U.S.C. 210. Access roads may be required in conjunction with construction, expansion, improvement, replacement, or relocation of DoD facilities.

2. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways shall be funded from major construction, emergency construction, or minor construction programs, as applicable. Additionally, projects in the regular Federal Air Primary Systems normally are not considered eligible for financing with these funds.

3. Funds available for Defense access roads can be provided to the Department of Transportation (DoT) via a Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization" nonexpenditure cash transfer or the effort may be carried out by DoT on a reimbursable basis.

L. Scope of a Military Construction Project

1. All acquisitions of land, regardless of cost, may be considered to be a military construction project. Submit all requests for purchase, withdrawal from public domain, lease or permit from individuals or government entities, or any other type of use agreement involving more than 1,000 acres, or land whose estimated purchase price or annual lease price exceeds \$1 million to the Deputy Secretary of Defense through the Deputy Assistant Secretary of Defense (Installations). Title 10, United States Code, section 2673 also authorizes use of Operation and Maintenance funds for land acquisition as defined in 10 U.S.C. 2672.

2. A military construction project includes all construction efforts, or any contribution authorized by law, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility or improvement as specifically authorized by law.

3. Military construction project funding includes equipment installed in and made a part of real property structures or improvements. Construction project funding excludes all production and movable equipment. The source and cost of all production and movable equipment directly associated with construction projects shall be disclosed as additional information in presenting construction programs and budgets.

4. Construction applicable to one real property facility:

a. All construction proposed for a real property facility in which the same functional purpose or related functional purposes involved will be treated as one project.

b. All concurrent construction proposed for contiguous areas of a multi-use facility shall be treated as a single project even though the construction pertains to unrelated functional purposes. For this purpose, contiguous means "in actual contact" or "touching."

c. All construction proposed for a multi-use facility that is common to the facility as a whole, or common to areas in which the same or related functional purposes are performed, shall be treated as a single project.

d. Construction proposed for a multi-use facility may be divided into separate projects provided that each project can be clearly defined and the result is a complete and usable facility.

5. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. If the construction is treated as a separate project, cost limitations, notification, and other requirements associated with applicable construction projects apply. For this purpose, engineering estimates may be used to determine costs applicable to the construction portion.

6. A decision as to whether one or more projects are to be established for related efforts relating to subparagraph 170102.L.5, above, shall be submitted for approval to the Secretary of the cognizant Military Department.

1702. EFFORTS TO BE FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS

170201. All costs of the military construction program are financed from appropriations available for that purpose. These costs include design, major construction projects, supporting construction functions, construction overhead, and projects authorized in the United States Code for funding by appropriations available for military construction. Unfunded costs that are capitalized, but financed by appropriations other than those available for military construction, are addressed in section 1703, below.

170202. For other than family housing projects, the military construction appropriation shall be used when the cost of a minor construction project is greater than the amount established in Title 10, United States Code, section 2805.

170203. Funded Project Costs. Except as prescribed in section 1703, below, major construction costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to, the following:

- A. All materials, supplies, and services applicable to the project.
- B. All items of installed capital equipment.
- C. Transportation costs applicable to materials, supplies, installed capital type equipment, and government-owned equipment.
- D. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor.
- E. That portion of installation overhead or support costs that can be identified as representing additional costs that would not have been incurred were it not for the project.
- F. Supervision, inspection and overhead costs charged by the U.S. Army Corps of Engineers and the Naval Facilities Engineering Command when serving as the design and/or construction agent.

G. Travel and per diem related to applicable military or civilian labor.

H. That portion of costs applicable to the operation and maintenance of Government-owned equipment shall be computed on an hourly rate in accordance with guidance in [Chapter 1, Volume 11A](#) of this Regulation.

170204. Overhead Expenses. All overhead expenses for the military construction program, including work for others, initially are financed from the performing military construction appropriation. These expenses are distributed to projects, including work for others. Military construction overhead includes the following efforts:

A. Personal services (and support costs) at field and headquarters activities related to the military construction program.

B. Contract administration.

C. Military construction program and project management (including post construction evaluation).

D. Technical direction and coordination of projects.

E. Land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange.

F. Project management and administration not otherwise identified above.

170205. Reimbursable Project Costs. The appropriation or fund financing a construction project shall reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations shall be made by use of an SF 1080, "Voucher for Transfers Between Appropriations and/or Funds," on a "no-check" basis.

1703. EFFORTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS

170301. Unfunded Costs. Some efforts in support of military construction are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs are those that (a) contribute to a military construction project, (b) are financed from appropriations other than military construction, and (c) are not reimbursed by appropriations available for military construction. Unfunded costs are capitalized as part of the real property investment and include the following:

A. Costs financed from military personnel appropriations.

B. Costs applicable to the depreciation of government-owned equipment shall be computed on an hourly rate in accordance with guidance in [Chapter 1, Volume 11A](#) of this Regulation.

C. Materials, supplies, and items of installed capital equipment that have been obtained specifically for a project on a nonreimbursable basis, either as excess distributions from another DoD Component or as excess distributions from other Federal agencies. A DoD Component is precluded from using materials, supplies, or items of installed capital type equipment on its own minor construction projects on a nonreimbursable basis.

D. Unfunded civilian fringe benefit rates for DoD civilian personnel as prescribed in [Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit," Volume 11A](#) of this Regulation .

E. Gifts from private parties.

170302. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects.

170303. For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. 2805, the project shall be financed from applicable Operation and Maintenance (O&M) appropriations; Research, Development, Test and Evaluation (RDT&E) appropriations; or working capital fund resources, as appropriate.

170304. Items of equipment that are movable in nature and not affixed as an integral part of a facility shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate. This equipment includes all types of production, processing, technical, training, servicing, RDT&E, and pre-wired work stations.

170305. Any operational equipment for which installation mountings and connections are provided in the building design, and that are detachable without damage to the building or equipment, shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate.

170306. The costs of alterations to install movable equipment that is not affixed as an integral part of a facility shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate.

170307. The following examples of installation or relocation items should be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate:

A. Prefabricated screens, partitions, false floors, platforms, and shielding for electromagnetic radiating services.

B. Temporary removal and reinstallation or portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment.

C. Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry or source of utilities into the structure and the equipment to be served.

170308. Advance Planning. Advance planning costs should be financed through the O&M accounts and expensed in the period incurred. Working capital funds will finance advance planning costs through its operating account and expense these costs in the period incurred. (See [Volume 11B](#) of this Regulation). Advance planning is not encompassed by, and should not be performed under, the authority of military construction project planning and design efforts. Advance planning costs are not to be included in determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects. The following are examples of advance planning functions:

A. Developing the requirements for a military construction project (project formulation).

B. Developing a master plan for an installation.

C. Initial explorations of project alternatives and rough drawings.

D. Facilities related management studies.

E. Conceptual analysis.

E. Making alternative site studies.

F. Developing and validating military construction project documentation prior to commencing project design.

G. Preparing engineering analyses and studies to develop technical design parameters prior to commencing project design.

H. Preparing environmental impact assessments and statements.

170309. Family Housing. All family housing construction projects shall be funded from applicable family housing appropriations. Guidance concerning funding of family housing efforts is addressed in [Chapter 6, "Military Construction/Family Housing Appropriations," Volume 2](#), of this Regulation.

170310. Projects for pollution abatement, energy conservation, and occupational safety and health activities may be funded from other than the military construction appropriation when the cost of a project:

A. Is funded from the proceeds of sales of recyclable material in accordance with [Chapter 5, "Disposition of Proceeds From DoD Sales of Surplus Personal Property," Volume 11A](#) of this Regulation, and 10 U.S.C. 2577.

B. Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects in accordance with 10 U.S.C. 2577.

1704. AUTHORIZATION, APPROPRIATION, OBLIGATION, AND EXPENDITURE RESTRICTIONS

170401. Program Restrictions

A. Specific authorization shall be required for work to be performed under major construction programs unless the project is carried out under one of the authorities provided by Title 10, United States Code, sections 18233a, 2803, 2804, 2805, 2808, 2810, or 2854--or other authorities--to carry out a project not otherwise specifically authorized.

B. Each Act of Congress that provides authorization for work to be performed under major construction programs generally contains a limitation on total costs for work to be undertaken for each installation as a whole, for emergency construction work on a Department-wide basis and, in some cases for a type or category of construction. In certain circumstances, overruns, within stated percentages, may be authorized with respect to individual cost limitations, provided the total amount authorized for any appropriation is not exceeded.

170402. Obligation and Expenditure Restrictions

A. Appropriated funds authorized for obligation are subject to DoD Directive 7200.1 and the Antideficiency Act provisions addressed in [Volume 14](#) of this Regulation. An adequate system of funds control shall be established in accordance with [Volume 14](#). These controls shall be designed to ensure that individual projects are being carried out consistent with authorized purposes and within authorized and available funds.

B. Absent a specific provision of law, the cost estimate for each project approved by the Congress is not a separate statutory cost limitation. Major physical or financial changes in individual projects previously approved shall be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and the OMB.

C. Limitations shall be at the project level for major construction and budget activity for minor construction, planning and design, etc.

D. DoD Components have limited authority to realign resources between projects consistent with [Chapter 6, Volume 2](#) of this Regulation.

E. Requests for apportionment of appropriated funds shall be based on estimates contained in applicable approved operating budgets.

F. Within each Military Department, funding authorizations to incur obligations shall be made by means of subdivisions of appropriated funds to operating agencies and operating units responsible for construction. Such funding authorizations shall be less than or equal to total obligation requirements for the respective approved operating budgets.

G. There shall be only one allocation of funds from the construction appropriation to any operating agency and only one allotment of funds from any such allocation to each operating unit. Each allocation or allotment should carry with it only such additional obligation limitations as may be established by the OMB or the Secretary of Defense, or as otherwise required by the Congress or the President. Separate limitations imposed on total costs by congressional authorizations and by administrative action must be observed at every level in connection with budgetary and funding actions as well as in program execution.

H. When a Military Department performs construction work or services for another DoD Component, or another Federal agency, such work or services shall be performed on a reimbursable basis pursuant to the orders received by the performing Military Department's construction appropriation. There is one exception: The Department of the Army (U.S. Army Corps of Engineers) and the Department of the Navy (Naval Facilities Engineering Command) may perform work or services for the Department of the Air Force and the Federal Emergency Management Agency under allocations or allotments. The performance of work under Air Force and Federal Emergency Management Agency allocations or allotments shall be in accordance with procedures applicable to the performance of construction programs of the Department of the Army or Department of the Navy, as appropriate. Transfer appropriation accounts shall not be established for any such work, nor shall there be advances of funds to finance orders given for work or services. No work or services shall be performed under a direct "citation of funds" (that is, direct charge by the performing unit and or activity to the funds of the ordering unit and or activity).

I. The following policies shall be followed with respect to the performance of all work or services on a reimbursable basis under a construction appropriation:

1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. For purposes of establishing obligational authority, such reimbursements may be anticipated for orders received. Cost limitations for the performance of work shall be observed pursuant to the terms of the orders received. Operating budgets shall include estimates of reimbursable orders received or anticipated.

2. Reimbursements are to be budgeted and their use controlled at the Military Department level where management and control of a program is retained. In these cases, allocations and allotments of funds shall be expressed in terms of total obligational authority in operating budgets of the respective operating agencies and operating units responsible for carrying out the program.

J. Title 10, United States Code, sections 4540, 7212 and 9540 limit the amount of obligations that can be incurred on the production and delivery of design, plans, drawings and specifications for any public works or utilities project to not more than six percent of the estimated cost of the project. The 6 percent threshold does not include costs associated with activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

170403. Certifications of Costs

A. Certifications of costs incurred shall be prepared in accordance with the format shown in [Appendix A](#) to this chapter. These certifications shall include statements of total cost incurred on the project, the funded portion of total costs, the unfunded portion of total costs, and a statement that funded costs incurred do not exceed authorized amounts. In connection with the statement of total costs and funded costs, authorized amounts shall also be disclosed. Such disclosure shall indicate the approving authority.

B. The certification shall be prepared within 60 days after physical completion of the project and shall be signed by the installation commander, the responsible engineering official (e.g., post engineer, civil engineer, or public works officer), and the responsible fiscal official.

C. A copy of the certification shall be retained in a project file at each level that maintains project files.

1705. DOCUMENTATION STANDARDS

170501. Project Files. Project files shall be maintained for each construction project. These project files shall represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project shall be incorporated into project files at all appropriate levels. Construction agents are responsible for holding the historical project files. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations.

170502. Acceptance of Real Property. The acceptance of real property by a user organization, as well as the transfer between DoD Components, or to or from other Federal agencies, must be documented. The Transfer and Acceptance of Military Real Property format shown in [Appendix B](#) to this chapter shall be used as a basic source document for transferring the

value of a military construction project to the installation's real property records. In addition, the format shall be prepared at the point amounts are transferred from Construction in Progress accounts to the applicable asset account (e.g., Building). This will provide an audit trail for the recording of the capitalized assets in the applicable property accounts. A locally developed installation format may be used in lieu of the format in [Appendix B](#), if it contains essentially the same information.

170503. Classification of Amounts for Accounting Purposes

A. Within each construction appropriation, there should be only one account structure for classifying costs for the joint purposes of planning, programming, budgeting and accounting (including reporting). Similarly, within each construction appropriation, there should be a single uniform classification of accounts for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. The management of an activity performing a construction project is responsible for ensuring that all significant costs (that is, both funded and unfunded costs) are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts, property records, and reports submitted to the OSD and the Congress.

B. The OMB and the Treasury Department have mandated use of a standard general ledger chart of accounts. The DoD Standard General Ledger is identified in [Chapter 7, Volume 1](#) of this Regulation. Use of these DoD accounts is required in order to classify costs for the joint purposes of planning, programming, budgeting, and accounting for construction projects. All organizational levels incurring any significant level of costs shall use the Standard General Ledger to accumulate the cost of performance of construction projects and programs.

C. Cost accounting modules for accumulating and controlling construction projects shall be integrated with an activity's overall accounting system. Cost accounting systems represent a subsidiary ledger of the general accounting system. Therefore, cost accounts, as appropriate, shall be established for each project. Cost identification and cost finding are prescribed in [Chapters 19 and 22, Volume 4](#), of this Regulation.

D. Charges to an account shall be categorized in one of the four construction phases addressed in [Appendix C](#) to this chapter. The four phases addressed in [Appendix C](#) identify those costs that will be expensed and those costs that will be capitalized.

E. Amounts to be Expensed

(1) Costs incurred in the advance planning (discussed in subsection 170308, above), programming and budgeting phases shall be expensed in the period incurred.

(2) When a project is abandoned, the total cost incurred shall be expensed consistent with guidance contained in [Chapter 6, Volume 4](#), of this Regulation.

(3) The basic expense accounts that should be used to subdivide a project and the use of these accounts may be found in [Chapter 17, Volume 4](#), of this Regulation

F. Amounts to be Capitalized

(1) Capitalization is a concept while recognizes that the total costs incurred in a construction project are to be shown as an asset. Capitalization applies to those projects for which actual costs and expected useful life meet the criteria specified in [Chapters 1 and 6, Volume 4](#), of this Regulation.

(2) All significant costs related to the construction or acquisition of an asset, including unfunded costs addressed in section 1703, above, shall be recognized in capitalizing the costs of a project.

(3) The cost of efforts associated with the design, construction contracting, and construction phases of a project shall be capitalized.

(4) Direct costs incurred in the design and construction phases of a project shall be charged to a specific project. Other costs (listed in subsection 170204, above) that are financed by military construction and subject to capitalization shall be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.

170504. Financial Reports

A. Accounting records at every level shall be designed to permit summarization of financial transactions that produce accurate and timely information from one system of accounts. Data produced shall be in formats required for preparation of prescribed budget and financial reports and for such other day-to-day management data as may be required in executing financial oversight. In addition, records and costs must be designed and maintained so as to facilitate audits of project amounts.

B. Each military construction appropriation account shall be reported monthly in the Report of Appropriation Status by Fiscal Year Program and Subaccounts, AR(M)1002. The report shall be prepared as prescribed in [Chapter 4, Volume 6](#), of this Regulation.

170505. Specific Entries. Construction In Progress accounts in the general ledger account 1720 series will be used to accumulate and control costs as prescribed in [Chapter 6, Volume 4](#), of this Regulation. Construction in Progress accounts may be subdivided as necessary to accumulate and control costs. [Chapter 15](#) of this Volume prescribes the budgetary general ledger accounts to be used in recording military construction budget execution transactions. The illustrative entries below are to supplement the entries in [Chapter 6, Volume 4](#), of this Regulation and [Chapter 15](#) of this Volume.

- A. Dr 4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period
Cr 4710 Outstanding Commitments - Direct Program

To record commitments when the direct program is used.

- B. Dr 4710 Outstanding Commitments - Direct Program
Cr 4810 Undelivered Orders - Direct Program

To record the award of a military construction contract.

- C. Dr 4810 Undelivered Orders - Direct Program
Cr 4910 Accrued Expenditures - Unpaid - Direct Program

- Dr 1722 Construction in Progress - Contractor
Cr 2113 Accounts Payable - Public - Current

To record the receipt of a contractor's invoice for work performed.

- D. Dr 4910 Accrued Expenditures - Unpaid - Direct Program
Cr 4930 Accrued Expenditures - Paid - Direct Program

- Dr 2113 Accounts Payable - Public - Current
Cr 1012 Funds Disbursed

To record the payment of a contractor's invoice (assumes no contract holdback requirement).

- E. Dr 1730 Buildings
Cr 1722 Construction in Progress - Contractors

To record the transfer from the Construction in Progress accounts to the Building account upon completion of the project.