



US Army Corps
of Engineers

MILCON S&A Account Study

J. Joseph Tyler, PE
Chief, Programs Integration Division
Directorate of Military Programs
HQUSACE

4 Aug 2005



US Army Corps
of Engineers

Purpose

- Update attendees on recent leadership directions concerning management of construction S&A with a focus on MILCON
- Provide a summary of current status
- Describe a way ahead



US Army Corps
of Engineers

Chief's Direction

- Evaluate and analyze the downward trend of the MILCON S&A Account.
- Evaluate the causes for the account deficit.
- Propose a corrective action plan to restore nominal balance to between \$45 – \$75M by end of FY 08 and still deliver a quality product to our military customers.
- GRD and AED are **NOT** included in this study or recommendations because they have stand alone S&A accounts.



US Army Corps
of Engineers

S&A Flat Rate Accounting Concepts

- MILCON S&A Account uses the Civil Works Revolving Fund Structure
 - All projects in same category pay same rate
 - Breakeven accounting (gains offset losses i.e. big jobs pay for little ones).
- MILCON S&A Account fundamental to managing Military Construction Mission.
 - Funding associated with construction
 - Programming of S&A predictable using a flat rate
- Title 31 USC 1534
 - Allows Revolving Fund as accounting expedient to “wash” funds through S&A account provided certain legal conditions are met.



US Army Corps
of Engineers

S&A Flat Rate Accounting Concepts (con't)

- S&A applies to post award Construction Management.
- P&D covers pre-award and DDC covers post award design.
- S&A Flat rates are standard across USACE (CONUS & OCONUS rates)
- S&A Flat Rates are set for each Appropriation category (MILCON, O&M, DERP)



US Army Corps
of Engineers

S&A Flat Rate Accounting Concepts (con't)

- MILCON Flat Rate S&A is intended to recover the cost of service
- Political considerations have out weighed increasing Flat Rate.
- From 1963 to 1996 MILCON S&A rates ranged from a low of 5.0% to a high of 7.5%. Last increase was in 1989. Last decrease was in 1995.
- Current S&A Flat Rates:
 - MILCON: 5.7% CONUS; 6.5% OCONUS
 - O&M: 6.5% CONUS; 8.0% OCONUS
 - DERP: 7.0% CONUS; 7.5% OCONUS

4 Aug 05



US Army Corps
of Engineers

Example of where we spent our S&A?

| MILCON | CONST | CONTR | ENGRG | FIELD | OTHER | PPMD |
|--------------|-------|-------|-------|-------|-------|-------|
| Honolulu | 21.1% | 0.1% | 0.4% | 72.7% | 0.0% | 5.7% |
| Kansas City | 16.2% | 0.1% | 4.5% | 70.8% | 0.0% | 8.4% |
| Norfolk | 8.9% | 1.1% | 5.1% | 78.1% | 1.2% | 5.6% |
| Omaha | 18.1% | 0.0% | 0.3% | 75.4% | 0.5% | 5.7% |
| Seattle | 36.6% | 0.0% | 4.6% | 47.4% | 0.2% | 11.2% |
| MILCON Total | 20.1% | 0.2% | 3.1% | 68.7% | 0.4% | 7.5% |

- **PM organization charges increased as management placed emphasis on PMBP implementation & as study progressed.**
- **Distribution of costs dependent on organizational structure.**

***Data Source: S&A Pilot Study Report DEC 03 (Data from FY01 & 02)**
4 Aug 05



US Army Corps
of Engineers

MILCON S&A Account Nominal Balance

- USACE Policy
 - Draft ER 415-1-16
 - Required working balance: “...working balance of 3 to 4 months operating expense...”. (Current HQ working policy is 3-5 months)
 - “The working balance is to cover loss of income during CRA or short-term moratorium, program, regional and seasonal variation, and to assure funds available to cover post construction, closeout and to demobilize on-site construction staff.”



US Army Corps
of Engineers

MILCON S&A Account

FY05 Nominal Balance Requirement (\$mil)

| <u>Probability</u> | | | | <u>(Probability X cost)</u> | Months |
|---|---|--|-----------------|-----------------------------|---------------|
| 100% | Close out fiscally complete projects | | | \$22.1 | |
| 100% | <u>Expenses obligated but not expensed</u> | | | <u>\$17.6</u> | |
| Minimum Nominal Balance - must fund at all times | | | | \$39.7 | 2.9 |
| 100% | Avg Annual fluctuation -\$27M max | | | \$8.9 | |
| 5% | 120 day continuance of pay after RIF action - \$55M | | | \$2.7 | |
| 5% | Loss of Military function in a district - \$15M | | | \$0.7 | |
| 100% | Avg Accounting adjustment - \$7.7M max | | | \$1.1 | |
| <u>5%</u> | <u>Construction Moratorium/Pause in Awards -\$27M</u> | | | <u>\$1.3</u> | |
| | | | subtotal | \$14.7 | |
| | Total Nominal Balance Requirement | | | \$54.4 | 4.0 |
| | Maximum Nominal Balance Requirement | | | \$69.1 | 5.1 |

4 Aug 05



US Army Corps
of Engineers

MILCON S&A Account Status

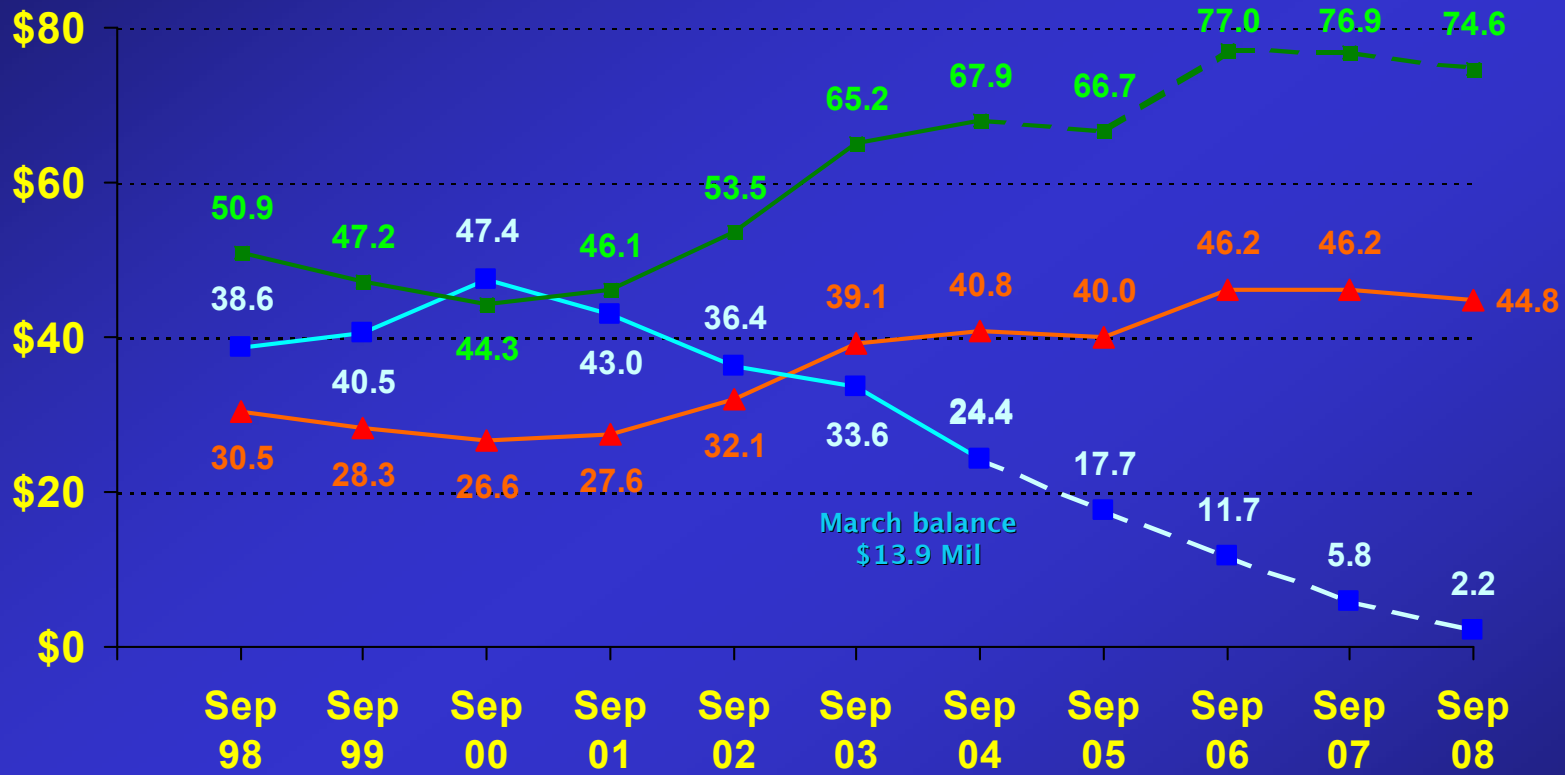
Where We Are:

- As of 31 Mar 05 the MILCON S&A Account has \$13.9M in reserve.
- Based on the “Working Balance” estimate the required minimum reserve is \$40M (Rounded to 3 months, FY05)
- The current deficit is approx. \$26M
- To restore the “Working Balance”, S&A income must increase 0.5% or expenses must be decreased 0.5%.



US Army Corps
of Engineers

MACOM MILCON S&A Account



▲ Low Nominal Bal
 ■ Actual MILCON Bal
 ■ High Nominal Bal
 ■ HQ Projected MILCON Bal

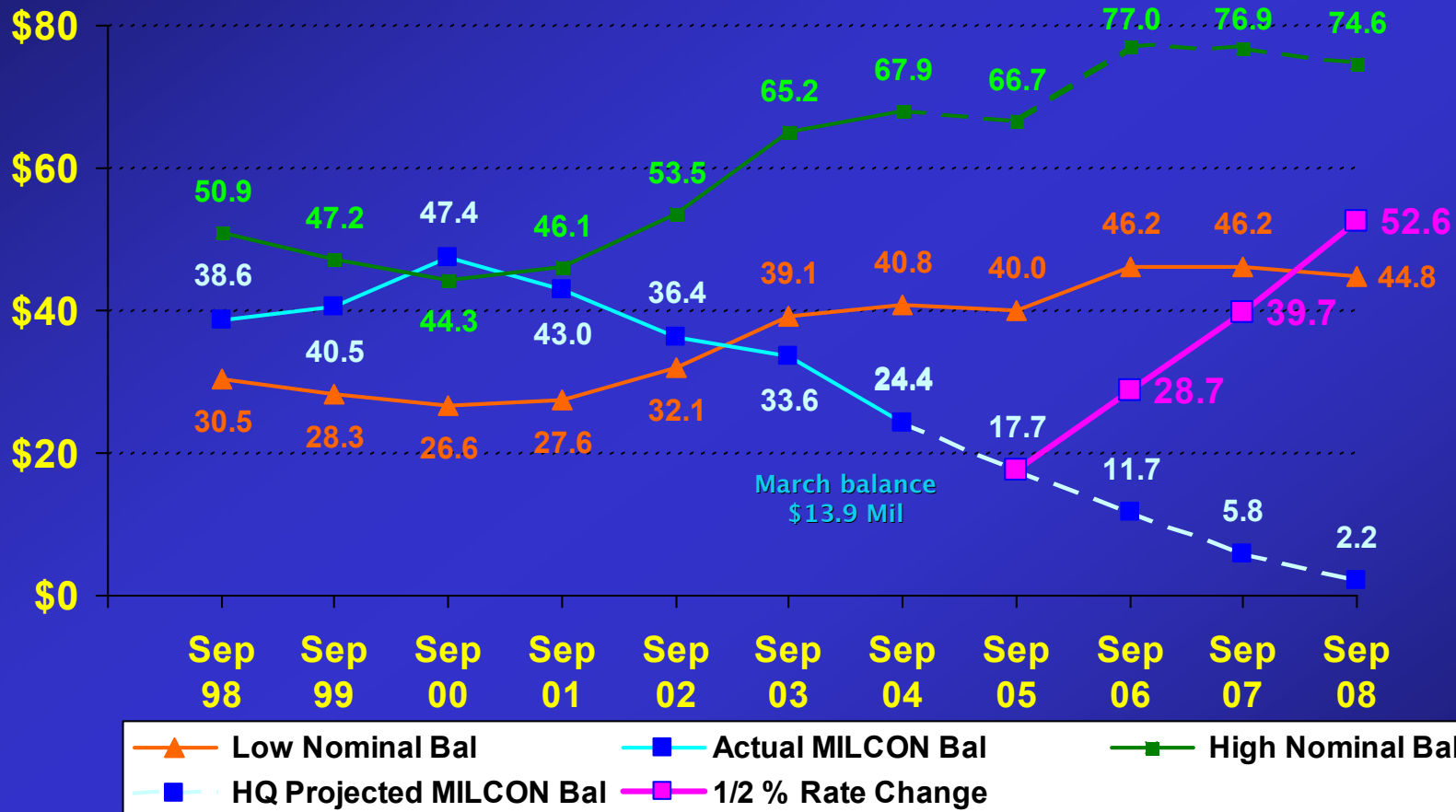
4 Aug 05

HQUSACE S&A Account Manager est.



US Army Corps
of Engineers

MILCON S&A Account With 1/2% Delta



4 Aug 05



US Army Corps
of Engineers

Challenges Across the Program

- Effective Rates have increased.
- Corps salary and benefits have increased at a greater rate than the Construction Cost Index.
- Apparent undercharging of O&M S&A and overcharging of MILCON S&A



US Army Corps
of Engineers

Expected Increases S&A expenses

- +5.9% CONUS (Current expense rate)
 - +.25 Rent (FY06)
 - +.05 Regional G&A (FY06)
 - +.10 Regional CDO (FY07)
 - +.05 Effective Rate (ea. FY due to salary increases)
 - +.?? Afghanistan, Iraq, GWOT - Temp Assignments
 - +.?? At Cost Deals (lost income when less than 5.7%)
- +6.35% Estimated S&A Expense

* Numbers were not derived from data but are estimates based on extensive experience of PDT members.



US Army Corps
of Engineers

Expected Decreases S&A expenses

- 6.35% CONUS (Estimated Expense Rate)
 - -.25 Proper Charging of P&D, DDC and S&A
 - -.25 Proper Charging Practices on O&M vs. MILCON
 - -.01 Disciplined Approach for Other than Flat Rate Deals
 - -.10 Eliminate Subsidizing At Cost Deals
 - -.15 Optimize and Streamline Services Charged to S&A
 - -.15 Overhead Reduction (Assume 10% OH reduction)
- 5.44 Estimated S&A Expense Rate
(5.7% income rate)

* Numbers were not derived from data but are estimates based on extensive experience of PDT members.



US Army Corps
of Engineers

Unknown impacts to S&A expenses

- MILCON Transformation
- BRAC PROGRAM
 - Major MILCON program increases will offer chance to execute more placement per FTE
 - Air Force/Army/DoD
- At Cost and Reduced Flat Rate Deals – HQUSACE Policy
- NSPS (Pay Banding Impact)



US Army Corps
of Engineers

Possible Corrective Actions

- Do Nothing
- Increase Rates
- Decrease Expenses
 - ✓ Selected by the Director or Military Programs and approved by the Chief



US Army Corps
of Engineers

Reduce Expenses Option

- **MANAGED APPROACH**

- Maintain MILCON S&A rate at 5.7% CONUS and 6.5% OCONUS with 0.3% “payback” to replenish the S&A fund (effective rate 5.4% CONUS & 6.2% OCONUS)
- Stop deficit spending, replenish S&A Working Balance
- Limited income will force changes in current business process to address inefficiencies
- New costs will have greater negative impact on service
- Current service levels will decrease unless changes to current business processes are developed
- May impact field staff - “Boots on the Ground”
- Collective punishment for successful Districts



US Army Corps
of Engineers

Managed Approach Summary

- **FY 05 Implementation:**
 - Hold regional S&A expenses to 5.7% CONUS and 6.5% OCONUS for FY05
 - GRD and AED are **NOT** included in this study or recommendations
 - MP develop scenarios for impact of MILCON Transformation and BRAC Program on QA process.
 - MP finalize ER 415-1-16
 - Establish/continue District, RBC and HQ processes and business practices to manage S&A
 - Develop MACOM communications to explain implementation to field and customers



US Army Corps
of Engineers

Managed Approach Summary

- FY 06 Implementation:
 - Implement 0.3% “paypack” of S&A income (expense 5.4% CONUS; 6.2% OCONUS) to restore central S&A Account by end of FY08
 - GRD and AED are **NOT** included in this study or recommendations
 - HQUSACE & RBCs review S&A Account management plans at start of FY06 and mid-year to determine effectiveness and results of proposal.



US Army Corps
of Engineers

STATUS

MSC Recovery Plans

- 7 MSCs have submitted MILCON S&A Recovery Plans to HQUSACE (LRD, NAD, NWD, POD, SAD, SPD & SWD)
- Recovery Plans show a \$1.925M draw on the National S&A Account
- 4 of 7 Recovery Plans submitted show a draw
- 2 of 7 Recovery plans submitted show break even
- 1 of 7 Recovery Plans submitted shows a contribution
- TAC has not submitted a MILCON Recovery Plan



US Army Corps
of Engineers

FY 05 Projections MSC Recovery Plans

FY 05 MILCON S&A PROJECTIONS

| Division | FY05 Placement (000s of \$) | Expenses | Income | CCG Target FY05 Rate | Projected FY05 Rate | CONUS/ OCONUS | Signed by CDR | FY05 Gain/Loss |
|----------|-----------------------------------|----------|---------|-------------------------------|---------------------------|------------------|------------------|---------------------------|
| LRD | 123,000 | 7,011 | 7,011 | 5.9% | 5.7% | C | NO | 0 |
| NAD | 483,812 | 29,367 | 28,607 | 5.7% | 6.1% | C/O | YES | (760) |
| NWD | 333,184 | 19,536 | 18,992 | 5.7% | 5.9% | C | NO | (544) |
| POD | 483,075 | 31,593 | 31,400 | 6.6% | 6.5% | C/O | YES | (193) |
| SAD | 481,000 | 27,417 | 27,417 | 5.7% | 5.7% | C/O | YES | 0 |
| SPD | 171,673 | 11,151 | 9,785 | 5.7% | 6.5% | C | NO | (1,366) |
| SWD | 358,863 | 19,517 | 20,455 | 5.7% | 5.4% | C | YES | 938 |
| TAC | No Data | No Data | No Data | No Data | No Data | O/C | No Response | No Data |
| | | | | | | | | (1,925) |

NOTE: Does not reflect recent change counting all Modularity S&A as MILCON



US Army Corps
of Engineers

FY06 Projections MSC Recovery Plans

| FY 06 MILCON S&A PROJECTIONS | | | | | | | | |
|--|-----------------------------------|----------|---------|-------------------------|---------------|------------------|------------------|---------------------------|
| Division | FY06 Placement (000s of \$) | Expenses | Income | Target FY06 Rate* | FY06 Rate* | CONUS/ OCONUS | Signed by CDR | FY06 Gain/Loss |
| LRD | 185,000 | 9,990 | 10,545 | 5.4% | 5.4% | C | NO | 555 |
| NAD | 692,954 | 37,189 | 39,852 | 5.4% | 5.4% | C/O | YES | 2,663 |
| NWD | 536,153 | 28,853 | 30,561 | 5.4% | 5.4% | C | NO | 1,708 |
| POD | 760,244 | 42,673 | 49,416 | 6.2% | 5.6% | C/O | YES | 6,743 |
| SAD | 510,648 | 27,574 | 29,107 | 5.4% | 5.4% | C/O | YES | 1,533 |
| SPD | 259,000 | 13,986 | 14,763 | 5.4% | 5.4% | C | NO | 777 |
| SWD | 439,475 | 23,032 | 25,050 | 5.4% | 5.2% | C | YES | 2,018 |
| TAC | No Data | No Data | No Data | No Data | No Data | O/C | No Respose | No Data |
| | | | | | | | | 15,997 |
| NOTE: Does not reflect recent change counting all Modularity S&A as MILCON | | | | | | | | |



US Army Corps
of Engineers

Status of Actions and Way Ahead

- Study has been approved by Chief of Engineers
- MSC S&A Recovery Plans have been received
- MSCs and HQs must complete the remaining actions approved by the Chief
- Information Paper to be provided to Chief prior to the SLC



US Army Corps
of Engineers

Questions/Comments

4 Aug 05



US Army Corps
of Engineers

BACKGROUND SLIDES

4 Aug 05

26



US Army Corps
of Engineers

Increase Rate Option

- Increase MILCON S&A rate ½% to 6.2% CONUS and 7.0% OCONUS
- Corrects current imbalance in expenses vs. income
- Maintain current level of service with no change to existing business practices
- Maintains current level of “Boots on the ground”
- New costs can be absorbed with limited impact on staff
- Adjusts for increased Construction Costs
- Not acceptable to customers



US Army Corps
of Engineers

USACE MILCON S&A Rates

| <u>Implemented</u> | <u>CONUS</u> | <u>OCONUS*</u> |
|--------------------|--------------|----------------|
| 1 Jan 63 | 7.5% | Same |
| 1 Mar 65 | 7.0% | Same |
| 1 Jul 65 | 6.7% | Same |
| 1 Oct 65 | 6.5% | Same |
| 1 Nov 66 | 6.0% | Same |
| 1 Jul 67 | 5.8% | Same |
| 1 Jan 71 | 5.6% | Same |
| 1 Jul 71 | 5.4% | Same |
| 1 Jul 72 | 5.0% | Same |
| 1 Oct 78 | 5.2% | Same |
| 1 Oct 79 | 5.0% | 6.5% |
| 1 Oct 83 | 5.5% | Same |
| 1 Oct 89 | 6.0% | 6.5% |
| 1 Oct 95 | 5.7% | 6.5% |

4 Aug 05

***Includes AK, HI, & PR (Rate increase)**



US Army Corps
of Engineers

MILCON Gains & Losses

| Org | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 | 99-04 | 99-01 | 02-04 | delta |
|---------|-------|-------|--------|--------|--------|--------|--------|-------|--------|---------|
| LRL | 1140 | 675 | (203) | (545) | (222) | (639) | 206 | 1612 | (1406) | (3018) |
| NAB | 90 | (121) | (277) | (355) | (548) | 55 | (1157) | (308) | (849) | (540) |
| NAE | 259 | (36) | (30) | 336 | 106 | (312) | 322 | 192 | 130 | (63) |
| NAN | 570 | 390 | 64 | 210 | (1225) | 199 | 208 | 1024 | (816) | (1839) |
| NAO | 44 | 533 | 338 | 245 | (678) | 5 | 486 | 914 | (428) | (1342) |
| NAP | (141) | (255) | (162) | (259) | 284 | 115 | (418) | (557) | 140 | 697 |
| NAU | 90 | 391 | 20 | (62) | (350) | (9) | 80 | 502 | (421) | (923) |
| NAD Tot | 911 | 902 | (47) | 114 | (2411) | 53 | (478) | 1766 | (2244) | (4011) |
| NWK | 1181 | (669) | (875) | (1620) | 57 | 267 | (1659) | (363) | (1296) | (933) |
| NWO | 292 | 217 | (585) | (386) | 1390 | 468 | 1397 | (76) | 1472 | 1548 |
| NWS | 791 | 124 | (54) | (1462) | (184) | (780) | (1565) | 861 | (2425) | (3286) |
| NWD Tot | 2264 | (328) | (1514) | (3468) | 1264 | (45) | (1827) | 422 | (2249) | (2671) |
| POA | (43) | 105 | (933) | (1406) | (1387) | (4365) | (8028) | (870) | (7158) | (6288) |
| POF | 352 | 2511 | 3 | (1024) | 828 | (1164) | 1505 | 2866 | (1360) | (4226) |
| POH | (124) | 2014 | (337) | 313 | 1183 | (1137) | 1913 | 1553 | 360 | (1193) |
| POJ | 44 | 56 | 1 | 75 | (36) | (134) | 6 | 101 | (95) | (195) |
| POD Tot | 229 | 4686 | (1266) | (2041) | 587 | (6800) | (4605) | 3649 | (8254) | (11903) |

4 Aug 05



US Army Corps
of Engineers

MILCON Gains & Losses

| Org | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 | 99-04 | 99-01 | 02-04 | delta |
|---------|------|-------|--------|--------|--------|--------|--------|-------|---------|---------|
| SAM | 64 | 94 | (238) | 592 | 194 | (992) | (287) | (81) | (206) | (126) |
| SAS | 85 | 516 | 624 | (138) | (1142) | 241 | 186 | 1225 | (1040) | (2265) |
| SAD Tot | 149 | 610 | 386 | 454 | (949) | (752) | (102) | 1145 | (1246) | (2391) |
| SPA | 510 | (157) | (201) | (354) | (74) | (18) | (293) | 153 | (446) | (599) |
| SPK | 305 | 292 | (288) | (416) | 33 | (95) | (169) | 309 | (478) | (788) |
| SPL | 154 | 145 | (436) | (524) | 1301 | (197) | 443 | (137) | 580 | 717 |
| SPD Tot | 970 | 281 | (925) | (1294) | 1260 | (310) | (19) | 325 | (345) | (670) |
| SWF | 251 | 779 | 246 | 199 | (1909) | 496 | 62 | 1276 | (1214) | (2489) |
| SWL | (49) | 15 | (276) | (97) | (51) | (327) | (786) | (311) | (476) | (165) |
| SWT | 14 | 204 | (329) | 92 | (25) | (119) | (164) | (111) | (53) | 58 |
| SWD Tot | 216 | 997 | (359) | 193 | (1985) | 50 | (888) | 854 | (1742) | (2596) |
| TAC | 761 | (697) | (280) | (113) | (284) | (728) | (1341) | (216) | (1125) | (909) |
| Total | 6603 | 7102 | (4312) | (6971) | (2801) | (9188) | (9567) | 9393 | (18960) | (28352) |

4 Aug 05



US Army Corps
of Engineers

ABC STUDY SUMMARY

Louisville District – FY01-02

MILCON

- Operating Budget Mgmt
- Submittal Mgmt
- Quality Mgmt/Contract PM
- Mod/Change Order Mgmt
- Progress Payment Mgmt
- Completion/Closeout Mgmt
- Field Engineering Mgmt
- Project Funds Mgmt
- Contract Claims Mgmt

LMI (survey) LRL (actual)

| | |
|-------|-------|
| * | 4.1% |
| 12.0% | 7.3% |
| 38.0% | 54.6% |
| 22.0% | 14.6% |
| 3.0% | 1.4% |
| 7.0% | 3.6% |
| 16.0% | 9.7% |
| 2.0% | 3.3% |
| * | 1.4% |

** LMI study had discrepancy in categories of actual results vs 9 recommended ABC CM phases. ABC Study was part of the SAPS Study.*



US Army Corps
of Engineers

Nature of Issue

- S&A Account Management is a Corps problem not a Construction Division problem.
- PMBP process has resulted in changes that impact the S&A account.
- CD, EN, PM, CT and RM all utilize the S&A account and have a vested interest in correcting the situation.
- The long-term solution to the S&A Account will require a TEAM effort with Districts, RBCs and HQUSACE all participating in a constructive way.



US Army Corps
of Engineers

Previous Studies

- Construction Capability Study - SEP 02
 - Recommends increasing MILCON S&A rate from 5.7% to 6.0% and no change in OCONUS rate.
- S&A Pilot Study Report (SAPS) - DEC 03
 - Recommends increasing MILCON S&A rate from 5.7% to 6.0% and no change in OCONUS rate.



Military Programs - 2Q FY05

US Army Corps
of Engineers

MP-10 Project Fiscal Closeout *

Data Source: P2/PPDS

Fiscally Close All Projects within 12 Months (CONUS) or 15 Months (OCONUS) of BOD Actual
Ratings: Green: 90% Amber: 80% - <90% Red: <80%

| RBC | PROJECTS FISCALLY OPEN WITHIN SELECTION PERIOD | | | Projects Fiscally Closed in Last 12 or 15 Month Period | Percent Closed & Rating | Projects Fiscally Open > 12/15 Months | Add'l Projects To Be Fiscally Closed Next 12/15 Months |
|--------------------|--|--|-----------|--|-------------------------|---------------------------------------|--|
| | CONUS BOD Actual =/< 1 April 2004 | OCONUS BOD Actual =/< 1 Jan 2004 | TOTAL | | | | |
| GRD | | No Data | | | | No Data | No Data |
| HNC | No Data | | | | | No Data | No Data |
| LRD | 6 | | 6 | 1 | 16.7% | 5 | 10 |
| NAD | 4 | 2 | 6 | 0 | 0.0% | 6 | 9 |
| NWD | 0 | | 0 | 0 | | | 9 |
| POD | | 8 | 8 | 1 | 12.5% | 7 | 21 |
| SAD | 22 | | 22 | 0 | 0.0% | 22 | 30 |
| SPD | 4 | | 4 | 0 | 0.0% | 4 | 12 |
| SWD | 19 | | 19 | 0 | 0.0% | 19 | 18 |
| TAC | | 1 | 1 | 0 | 0.0% | 1 | 0 |
| TOTAL USACE | 55 | 11 | 66 | 2 | 3.0% | 64 | 109 |

4 Aug 05

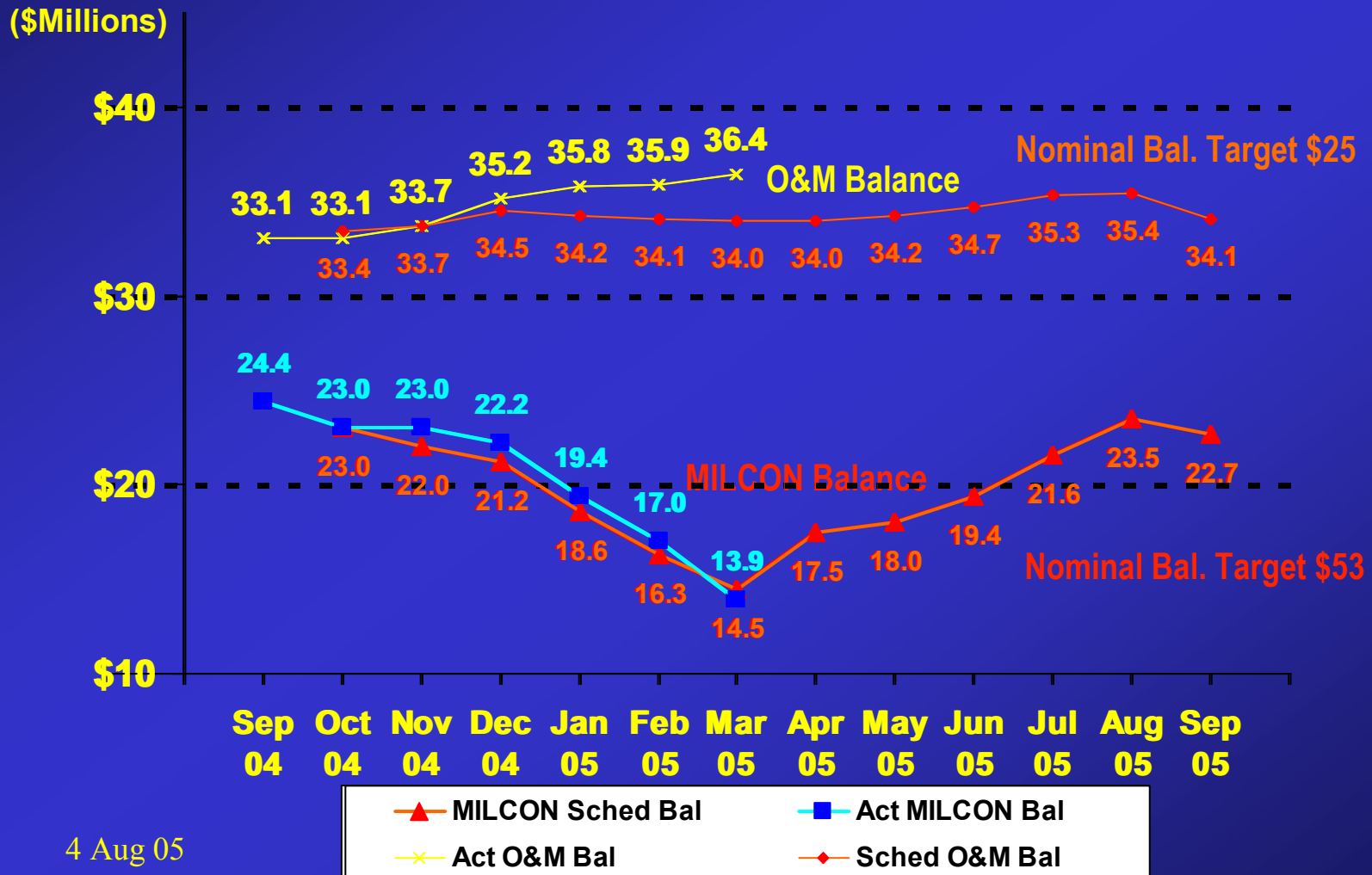
•Only projects/contracts linked between P2 and RMS are represented here. Many more projects remain fiscally open but have not been entered in P2 to obtain visibility.



US Army Corps
of Engineers

S&A Balances

Field Scheduled vs. Actual

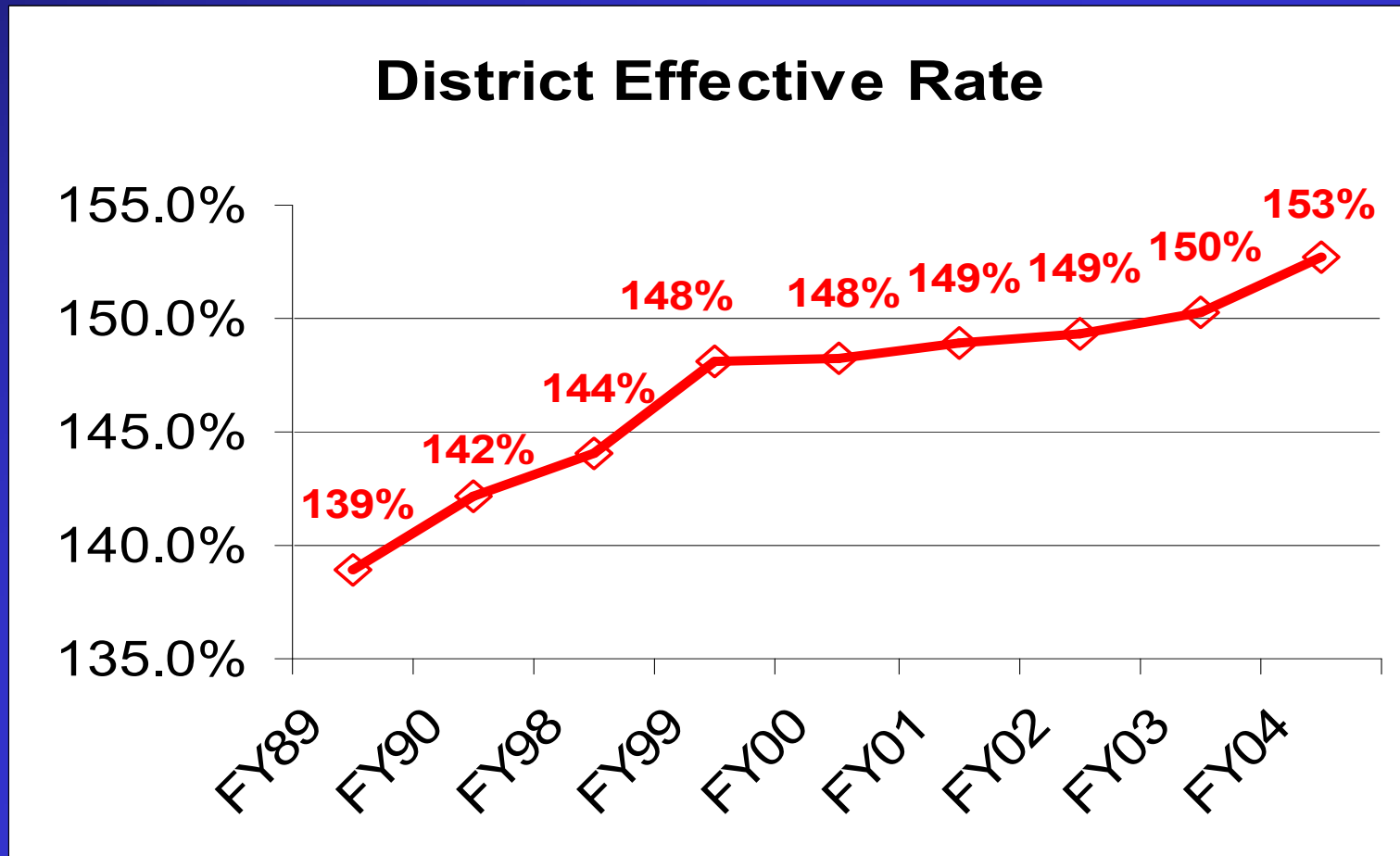


4 Aug 05



US Army Corps
of Engineers

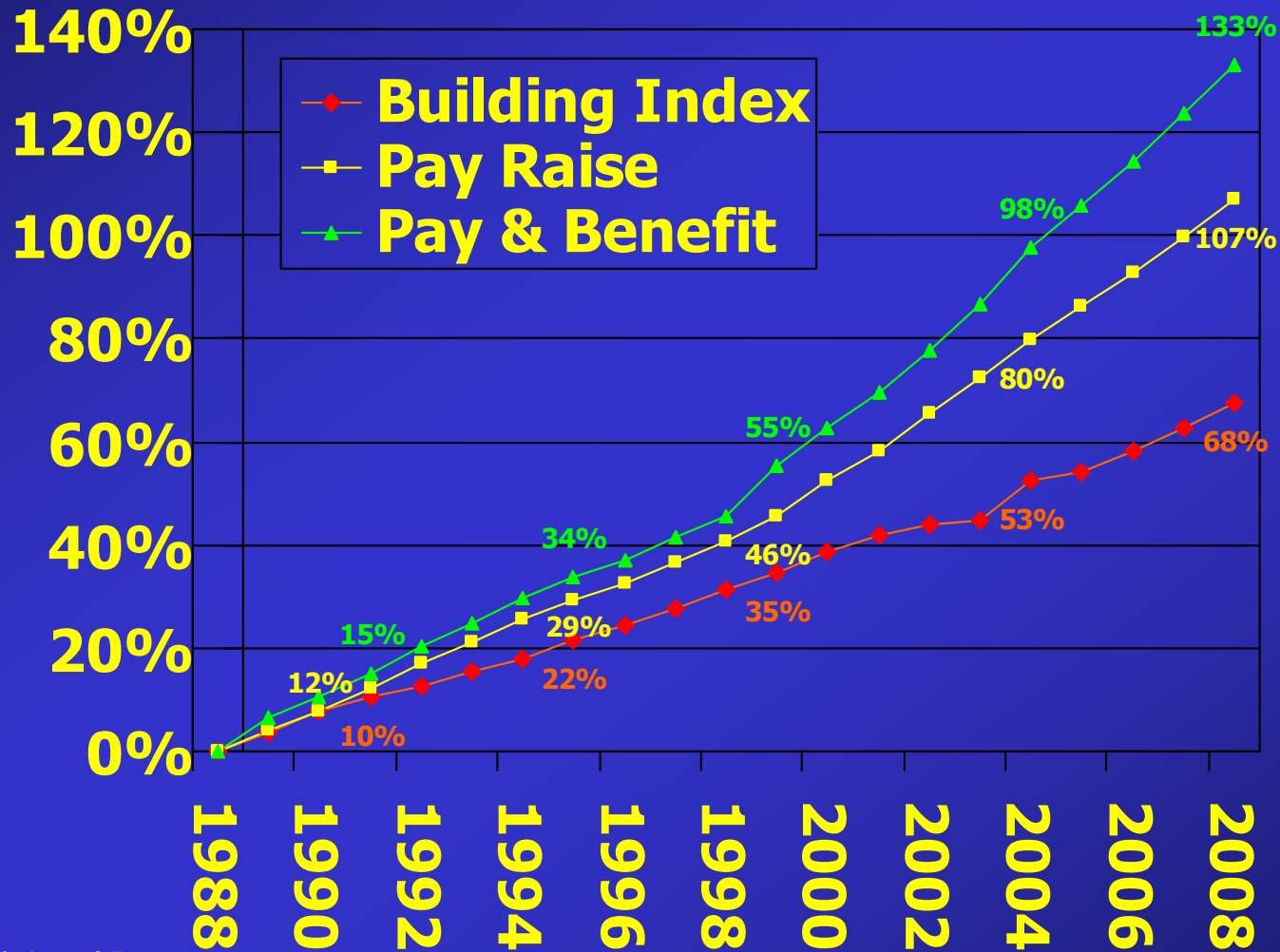
Effective Rate Trends (Burden Added to Labor)





US Army Corps
of Engineers

Construction Cost vs Government Cost

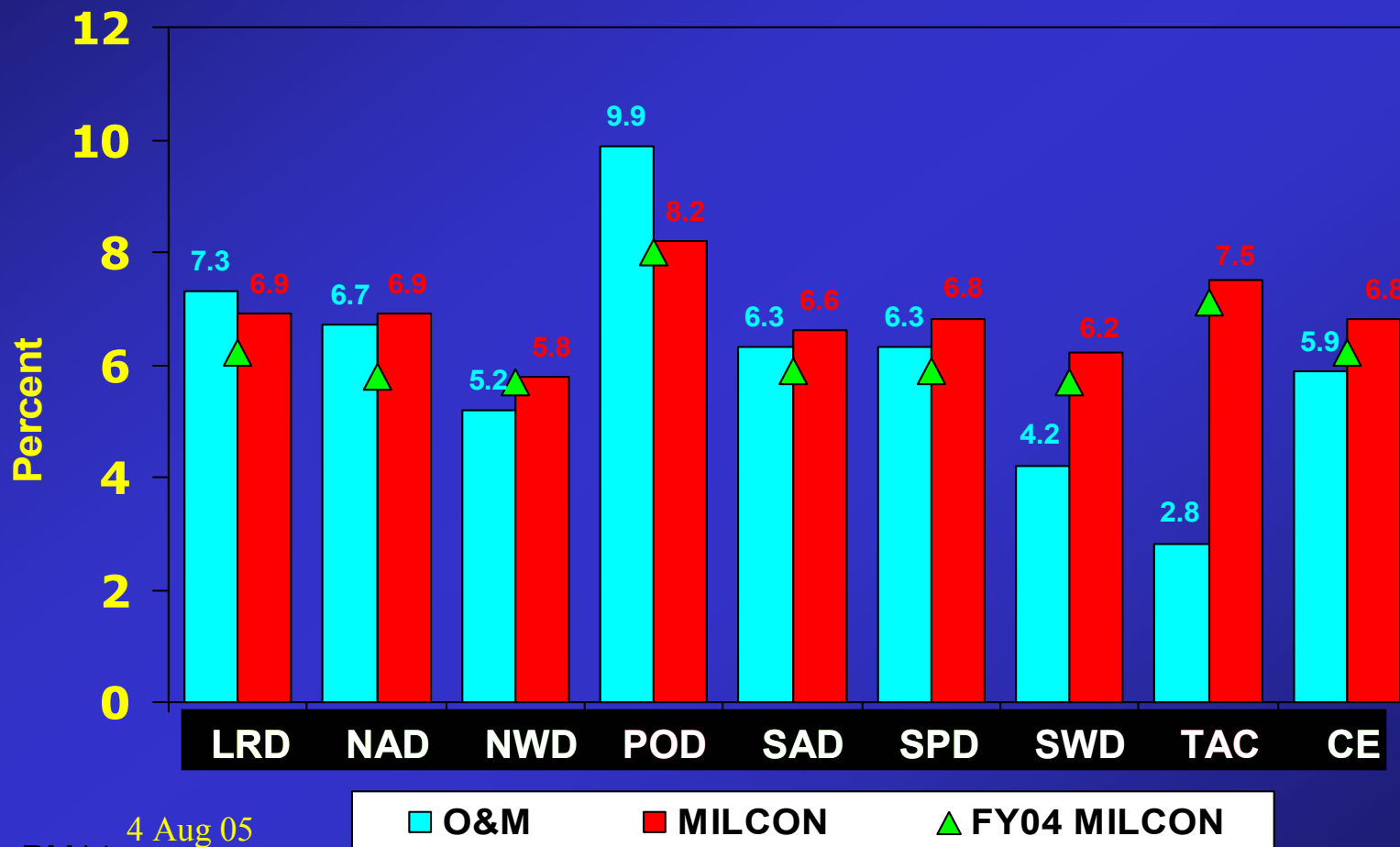


4 Aug 05



US Army Corps
of Engineers

MSCs MILCON vs O&M Actual S&A Rates – 31 Mar 05



4 Aug 05
RM14
Data as of 31 Mar 05

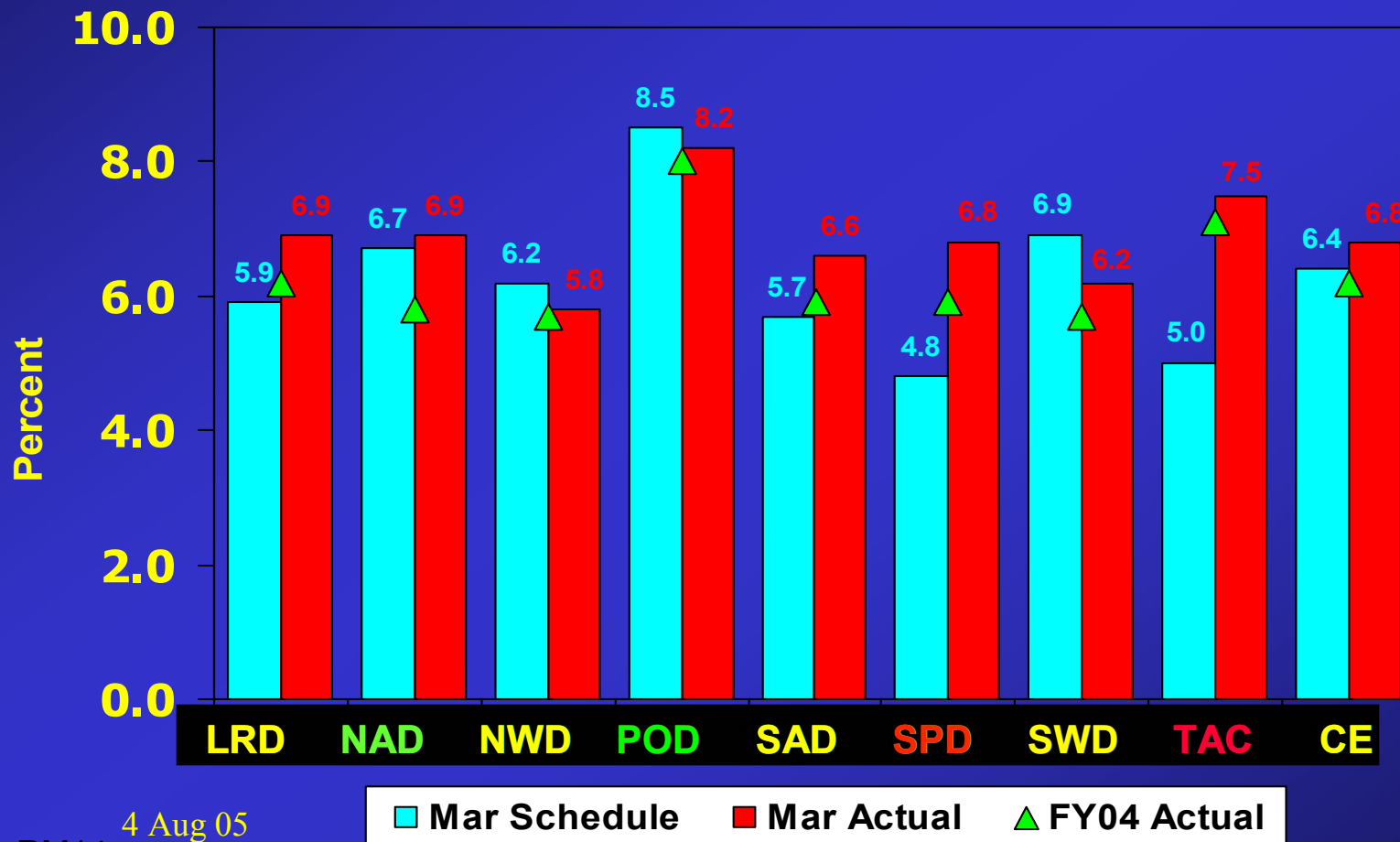
■ O&M ■ MILCON ▲ FY04 MILCON

Orig Sched



US Army Corps
of Engineers

MSCs MILCON S&A Rates 31 Mar 05



4 Aug 05
RM14
Data as of 31 Mar 05

Orig Sched



US Army Corps
of Engineers

MILCON Gains & Losses

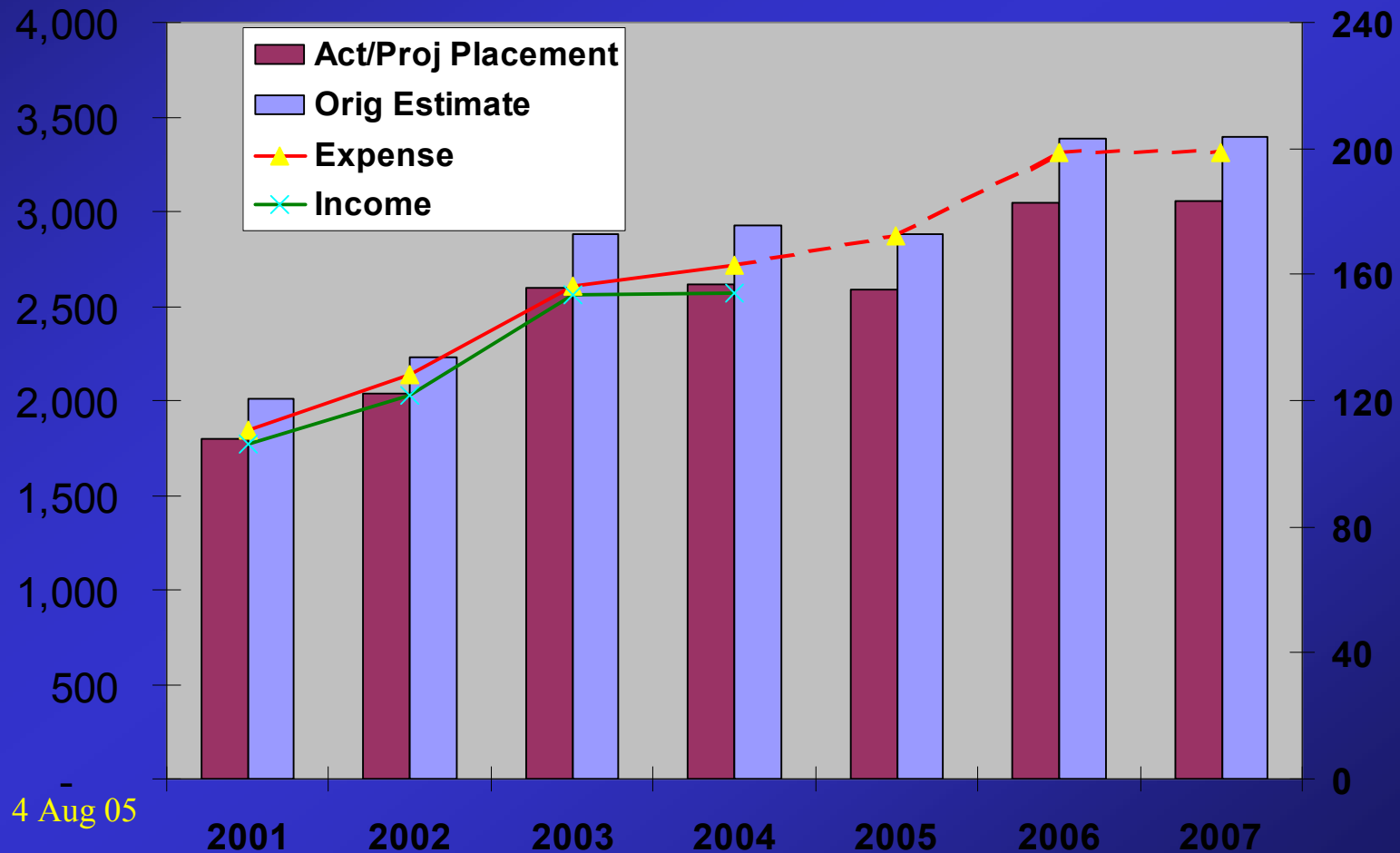
| Dist | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 | 99-04 | 99-01 | 02-04 | delta |
|-------|-------|-------|--------|--------|--------|--------|--------|-------|---------|---------|
| LRL | 1140 | 675 | (203) | (545) | (222) | (639) | 206 | 1612 | (1406) | (3018) |
| MVR | (27) | 79 | (47) | 10 | (62) | (7) | (54) | 5 | (59) | (64) |
| NAB | 90 | (121) | (277) | (355) | (548) | 55 | (1157) | (308) | (849) | (540) |
| NAE | 259 | (36) | (30) | 336 | 106 | (312) | 322 | 192 | 130 | (63) |
| NAN | 570 | 390 | 64 | 210 | (1225) | 199 | 208 | 1024 | (816) | (1839) |
| NAO | 44 | 533 | 338 | 245 | (678) | 5 | 486 | 914 | (428) | (1342) |
| NAP | (141) | (255) | (162) | (259) | 284 | 115 | (418) | (557) | 140 | 697 |
| NAU | 90 | 391 | 20 | (62) | (350) | (9) | 80 | 502 | (421) | (923) |
| NWK | 1181 | (669) | (875) | (1620) | 57 | 267 | (1659) | (363) | (1296) | (933) |
| NWO | 292 | 217 | (585) | (386) | 1390 | 468 | 1397 | (76) | 1472 | 1548 |
| NWS | 791 | 124 | (54) | (1462) | (184) | (780) | (1565) | 861 | (2425) | (3286) |
| POA | (43) | 105 | (933) | (1406) | (1387) | (4365) | (8028) | (870) | (7158) | (6288) |
| POF | 352 | 2511 | 3 | (1024) | 828 | (1164) | 1505 | 2866 | (1360) | (4226) |
| POH | (124) | 2014 | (337) | 313 | 1183 | (1137) | 1913 | 1553 | 360 | (1193) |
| POJ | 44 | 56 | 1 | 75 | (36) | (134) | 6 | 101 | (95) | (195) |
| SAM | 64 | 94 | (238) | 592 | 194 | (992) | (287) | (81) | (206) | (126) |
| SAS | 85 | 516 | 624 | (138) | (1142) | 241 | 186 | 1225 | (1040) | (2265) |
| SPA | 510 | (157) | (201) | (354) | (74) | (18) | (293) | 153 | (446) | (599) |
| SPK | 305 | 292 | (288) | (416) | 33 | (95) | (169) | 309 | (478) | (788) |
| SPL | 154 | 145 | (436) | (524) | 1301 | (197) | 443 | (137) | 580 | 717 |
| SWF | 251 | 779 | 246 | 199 | (1909) | 496 | 62 | 1276 | (1214) | (2489) |
| SWL | (49) | 15 | (276) | (97) | (51) | (327) | (786) | (311) | (476) | (165) |
| SWT | 14 | 204 | (329) | 92 | (25) | (119) | (164) | (111) | (53) | 58 |
| TAC | 761 | (697) | (280) | (113) | (284) | (728) | (1341) | (216) | (1125) | (909) |
| Total | 6603 | 7102 | (4312) | (6971) | (2801) | (9188) | (9567) | 9393 | (18960) | (28352) |

4 Aug 05



US Army Corps
of Engineers

MILCON Placement & Expense Trend (\$M)



4 Aug 05



US Army Corps
of Engineers

MSC Response to 22 April VTC

- SPD, NWD, LRD, and NAD concurred in the recommendations
- POD had questions but indicated afterwards that they were proceeding to implement the recommendations
- SWD and SAD had questions and desired more discussions



US Army Corps
of Engineers

Corrective Action Plan ***Option A***

- **NO ACTION (NO CHANGE)**

- Will not address current imbalance in expenses vs. income
- Will not replenish S&A Account reserve
- Will not improve current business practices
- Threatens ability to retain and move staff and resources to meet variations in regional and national workloads



US Army Corps
of Engineers

PDT History

- MP initiated action to develop MILCON S&A PDT 7 MAR 05
- PDT started planning with teleconferences 10/14/17 MAR 05
- PDT met for two day workshop at HQUSACE on 23 and 24 MAR 05
- Briefing to Steering Committee – 15 APR 05
- Briefing to DMP and DDMP – 20 APR 05
- Briefing to MSC CDRs – 22 APR 05
- Briefing to CG 2 May 05



US Army Corps
of Engineers

WAY FORWARD

- **OPTION A - NO ACTION**
 - Does not address problem
- **OPTION B - INCREASE RATE by 1/2%**
 - Solution is Corps focused but does not take mission of customers into account
- **OPTION C - MANAGED APPROACH**
 - Corps will manage issue within current funding by improving internal practices & processes
 - Increase income vs. expenses by 1/2% by limiting expenses.



US Army Corps
of Engineers

Project Delivery Team

Jolene Birkett
- CENWO-CD-CM

Philip Blount
- CERM-P

Dick Carlson
- CENAE-CO

Darrell Deleppo
- CENAD-BRD

Tami Garret
- CESAS-RM

Harry Jones
- CEMP-IR

George Lea
- CENAB-CO

Louis Muzzarini
- CEPOH-EC-C

Walt Norko
- CECW-EC

James Spratt
- CEMP-IR



US Army Corps
of Engineers

How We Got Here: Overdraft History

- HQUSACE provided \$8.9M of the S&A Working Balance to the MSCs to offset costs of PMBP for FY 03 and 04.
- From FY99-01: 14 Districts added and 10 took a draw from the account for a total of + \$9.4M. All MSCs contributed to the account
- From FY02-04: 5 Districts added and 19 drew on the account for a total of – \$19.0M. No MSCs contributed to the account.
- MILCON execution and construction placement lagging behind Corps projections
- Major S&A challenges on very difficult projects in POA



US Army Corps
of Engineers

Managed Approach Recommendations

- Immediate District CDR Actions:
 - District Commander responsible for S&A Account
 - Limit S&A expenses to target set by RBC
 - Ensure MILCON/O&M projects are properly charged
 - Fiscally Close Out contracts in a timely manner (12 months CONUS and 15 months OCONUS)
 - Review of G&A, CDO and S&A to determine if expenses are properly distributed – with RBC
 - Review charging to S&A account by PM/CD/ENG/CT and review % of S&A spent by all District elements



US Army Corps
of Engineers

Managed Approach Recommendations

- Immediate District CDR Actions (cont):
 - Use P&D funding for pre-award activities per CEMP-M/ CERM-P memo dated 26 Mar 03, Sub: Clarification of USACE Policy on P&D, DDC, and S&A...
 - PM must seek DDC from customers when needed. Current practice in use of DDC funds is not consistent with above guidance
 - Review OH charging practices for Supervisors in PPMD, EN and CD to determine if practices are same across the board
 - Initiate review of S&A services to identify where service can be optimized without threatening mission
 - Manage S&A account to minimize impacts on field and still deliver quality product to customers



US Army Corps
of Engineers

Managed Approach Recommendations

- Immediate Division CDR Actions:
 - Division Commander responsible for S&A Account Management within the RBC
 - Limit expenses to 5.7% CONUS and 6.5% OCONUS for FY05
 - Develop and implement a recovery plan to limit S&A expenses to 5.4% CONUS/6.2% OCONUS for FY06.
 - Implement S&A Program Manager (PgM) “Gatekeeper” responsible and accountable for the S&A Account and all charges within the RBC



US Army Corps
of Engineers

Managed Approach Recommendations

- Division CDR Actions (cont):
 - Regional Recovery Plan to include:
 - Comprehensive review of G&A, CDO and S&A to determine if expenses are properly distributed
 - Review S&A account charges by PM/CD/EN/CT/RM
 - Initiate review of S&A services to identify where service can be optimized and streamlined without impacting service at the Regional level



US Army Corps
of Engineers

Managed Approach Recommendations

- **Immediate DMP Actions:**
 - Establish MACOM Recovery Plan PDT to evaluate impact on Construction Management services and the proposed S&A expense target of 5.4% CONUS & 6.2% OCONUS.
 - Develop scenario for impact of BRAC Program on the S&A Account and staffing level requirements
 - Update S&A Green Book for customers and the field
 - Can services will be optimized/Streamlined
 - Coordinate Green Book with MILCON Transformation for Design/Build S&A and establish services
 - Review and finalize the update of ER 415-1-16 Fiscal Management of Construction.



US Army Corps
of Engineers

Managed Approach Recommendations

- **Immediate DMP Actions:**
 - Develop MACOM communications to explain implementation to field and customers
 - Initiate S&A AAR for top 5 S&A draw Districts
 - POA, NWS, LRL, POF & NWK
 - Reasons for draw systematic or unforeseen
 - Initiate AAR S&A Best Practices
 - Districts that contribute to S&A
 - NWO, SPL & POH
 - Complete AAR within 90 days of initiation



US Army Corps
of Engineers

END BACKGROUND SLIDES