



DEPARTMENT OF THE ARMY
US ARMY COMMUNITY AND FAMILY SUPPORT CENTER
4700 KING STREET
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REPLY TO
ATTENTION OF

CFSC-FM-C

10 Aug 1999

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Installation Morale, Welfare and Recreation Fund (IMWRF) and Billeting Fund Overhead Cost Allocation

1. Reference memorandum, CFSC-FM-C, 6 Apr 99, Subject: Fiscal Year 2000 (FY 00) Morale, Welfare and Recreation (MWR) and Billeting Fund Nonappropriated Fund Instrumentalities (NAFIs) Financial Management Operating Guidance.
2. This nonappropriated fund (NAF) Financial Management Memorandum 99-4 is an addendum to the referenced FY 00 NAF budget instructions. Please distribute this memorandum to all MACOM and installation MWR and Billeting Fund managers or their equivalents, MWR fund division chiefs, billeting and guest house managers, and Central Accounting Offices (CAOs).
3. The purpose of this memorandum is to provide financial management guidance on allocating shared lodging costs and overhead services.
4. The MWR Board of Directors mandated that NLT 1 Oct 99, operational and financial management of all lodging (billeting and guest house) be assumed by the Director of Community Activities (DCA) or equivalent at MACOMs and installations. Movement of billeting management functions to the DCA affords the opportunity to consolidate/centralize management and support functions resulting in a direct reduction of overhead costs to installation billeting funds and MWR guest house operations.
5. Installation lodging overhead can be categorized as direct overhead services charged to billeting, shared billeting and guest house lodging costs, or IMWRF overhead services provided to billeting operations.

a. **Directly charged services.** These are services provided by the Central Accounting Office (CAO), Civilian Personnel Office (CPO), Procurement Office, and Risk Management Insurance Program (RIMP). The CAO and procurement costs are allocated based on the documented cost incurred to record transactions for the transient lodging operation. The CPO costs are normally allocated based on the percent of the total active personnel files being serviced. The RIMP insurance is billed

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directly to the NAFI based on the coverage provided. These expenses are reported using General Ledger Account Codes (GLACs) 685 – CAO Expense, 682 – CPO expense, 684 – Procurement Office Expense, 733 – Insurance Premiums Expense, and 734 – Buildings & Contents Insurance Expense. These costs are currently being charged to billeting funds and there is no change to that process.

b. **Shared lodging costs.** These are the costs of functions internal to an installation lodging operation that can be consolidated and then shared between billeting and guest houses to achieve efficiency and economy. Shared lodging costs include functions such as operations management, reservations, front desk operations, housekeeping, maintenance, etc. Once consolidated, the costs are apportioned between billeting and the guest house monthly, based on each operation's proportion of total occupied room nights. The Army Lodging Property Management System (ALPMS) can provide the occupied room night information on the TDY or Guest House Market Segment Report. The consolidated costs to be shared will be initially recorded in Department Code, G6 - Overhead, under the Billeting Fund. At month end, the CAO is to be furnished the billeting and guest house percentages of the cost to be shared. The CAO will transfer the guest house share of the costs to Department Code, G6, Program Code KH – Guesthouse of the IMWRF financial statement. All employees working in the areas of shared lodging costs will be assigned to work center code XXFHGxxG6, where XX represents the MACOM/installation code and xx represents the location code for the Billeting Fund.

c. **IMWRF overhead support services provided to billeting.** When support services are provided to billeting by the MWR Fund, the cost may be equitably apportioned to billeting. Any charges of MWR Fund administrative/overhead costs are to be negotiated (agreed upon as to which and how much of the overhead program services listed below will support billeting) between MWR and Billeting Funds on the installation. Also, the Billeting Fund may provide services to the MWR Fund when it is determined that it is most efficient to do so. The support agreement is to be documented in a Memorandum of Agreement (MOA). Expenses of MWR Fund administration/overhead programs RC-DCA/ADCFA, RE - Services Division, RF - Financial Management Division, RI - Information Management, RU - Marketing, and RQ - Community Operations Division (or division chief assigned to directly supervise and/or to perform oversight over billeting) are authorized to be charged to billeting by allocation. Any cost allocation is to reflect services necessary and work actually performed. The MWR Fund expenses charged to billeting are *not to* include Department Code, GL – USA.

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6. **Maximum charges for overhead support.** In no case will the charges for support or services provided to billeting be more than the Billeting Fund's proportionate share of applicable administrative/overhead expense. The proportionate share is based on the Billeting Fund's proportionate share of the total of all expenses of the MWR and Billeting Funds combined (not including the expenses of the overhead programs to be allocated nor any Department Code GL – USA Income expenses). The shared and overhead cost allocations should be reviewed and reconciled, and if necessary, adjusted, at least annually to ensure that they are appropriate.

a. The applicable support/services "overhead" to be allocated is the Net Income Before Depreciation (NIBD) of the "R" codes stated in paragraph 5c above.

b. To compute the maximum applicable support/services "overhead", add together the MWR Fund and Billeting Fund total expenses (i.e., cost of goods sold, total operating expenses, other and extraordinary expense, and depreciation expense), not including the expenses of the overhead programs to be allocated. Also, exclude MWR Fund Department Code, GL expenses (Department Code GL – USA Income is not applicable to billeting funds). Then divide each fund's total expenses by the combined total of MWR and Billeting Fund expenses computed in paragraph 6 above.

c. The maximum applicable support/services "overhead" that may be charged to billeting is determined by multiplying the applicable support/services per paragraph 6a, by the Billeting Fund percentage calculated according to paragraph 6b.

7. The DCAs or equivalents are to validate the equitability of the overhead cost charges to lodging. Installation Internal Review Offices will be requested to review the allocation of costs to ensure appropriateness. Army-wide review of charge by allocation is anticipated to be one of the U.S. Army Audit Agency's functional audits for FY 01.

8. At the enclosure is an example of the methods addressed in this memorandum for determining shared lodging costs, IMWRF overhead support/services provided to the Billeting Fund, and the MWR Fund maximum applicable support/services "overhead" that may be charged to a Billeting Fund.

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9. The Community and Family Support Center billeting point of contact (POC) is Mr. Craig Smith, DSN 761-5365, COM (703) 681-5365, FAX (703) 681-7246 or e-mail: smithcm@hoffman-cfsc.army.mil. For financial management guidance or assistance, the point of contact is Mr. Arleigh Wentzel, DSN 761-7291, commercial (703) 681-7291, FAX (703) 681-7348.

FOR THE COMMANDER:

Encl
as

for Kenneth R. Harris
JEFFREY R. DALBEY
Chief Financial Management
Officer

DISTRIBUTION:
COMMANDER

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EXAMPLE OF COST SHARING BETWEEN BILLETING AND GUEST HOUSE AND/OR PROVIDING OVERHEAD SUPPORT TO BILLETING

Information About the Installation. Fort Marshy is a medium sized installation. It has a MWR Fund guest house with a manager and a Billeting Fund with a manager, who each manage day-to-day operations of their respective operations. Reservations are accepted at one office for all types of lodging (TDY, PCS, etc.). The front desk and housekeeping service both billeting and the guest house. The MWR Fund has Financial Management/Services, Information Management, and Marketing divisions that provide a full range of services such as NAF procurement, budgeting and funds management, maintenance, warehousing, etc. The DCA has assigned oversight and executive management of billeting and guest house to the Community Operations Division Chief.

Determining the Shared Lodging Costs.

1. The DCA has directed that the reservation, front desk, and housekeeping for billeting and the guest house be combined for efficiency and costs initially recorded under Department Code G6 of the Billeting Fund. Through the CPO, the employees of those operations are assigned under the Billeting Fund in Department Code G6. At the end of each month, a Market Segment Report is produced by the ALPMS system for the Billeting Fund and the guest house. The report indicates how many room nights are Billeting Fund and guest house, so the billeting manager can determine the percentage of billeting versus guest house occupied room nights. In this case the guest house occupied room nights are 32 percent of the total, and the billeting room nights are 68 percent. The manager has the report with the percentages annotated on it submitted to the CAO.

2. The CAO then applies the guest house percentage to the GLACs recorded in Department Code, G6 – Overhead, under the Billeting Fund. After determining the share of costs (based on percentages submitted) that is attributable to the guest house, the CAO then transfers the guest house share of expenses from the Billeting Fund financial statement to the guest house financial statement and establishes the corresponding receivable from the MWR Fund to the Billeting Fund.

IMWRF Overhead Support Services Provided to Billeting.

1. The DCA had a meeting with the billeting, guest house manager, MWR manager, and division chiefs to determine what, if any, support services are necessary to support the billeting operation.

2. The DCA knows that billeting has a competent and efficient maintenance department that could be used to assist the MWR Fund operating programs with repairs, rather than have a separate maintenance department for the MWR Fund. All

and that there would be charges to the MWR Fund operating programs using a work order, and time and materials system.

3. It was determined that the financial management division (FMD) would be assisting with billeting budgets, budget revisions, and with monthly review and analysis. They agreed that 50 percent of a budget analyst with 75 percent of a budget clerk assisting would be needed. Also, the FMD provides timekeeping services for billeting as well as other MWR. They agreed that 15 percent of the chief, FMD cost was appropriate to be charged to billeting.

4. The MWR Fund has a laundry service that could be expanded slightly to provide service to billeting. The method agreed upon for billing the laundry service is by weight of laundered materials.

5. The DCA, billeting, and MWR fund manager agree that 20 percent of the MWR fund COD chief expenses (NAF) should cover the cost for Executive Control and Essential Command Supervision (ECECS).

The Memorandum of Agreement. The DCA has a Memorandum of Agreement prepared listing the services provided and charging methods used for either Billeting or MWR Funds. The CAO is furnished a copy.

Billeting Charges to the MWR Fund. In accordance with the agreement, the Billeting Fund manager tracks the maintenance services and costs provided the MWR Fund. The charges are provided to the CAO monthly to be recorded. The CAO will record the income on the Billeting Fund financial statement, and the expense for maintenance services on the appropriate MWR Fund operating programs income statement using GLAC 657 – Facilities Maintenance and Repair Expense along with the corresponding accounts receivable/payable.

MWR Charges for Services to Billeting. In accordance with the agreement, the MWR Fund FMD provides a listing of monthly charges per the MOA (most charges are routine, except the laundry) to the CAO. The CAO will record the expenses for support services on the Billeting Fund income statement using GLAC 688 – Common Service Fund Expense. The income from billeting for the support services expense is recorded on the COD, FMD, and Services Division income statements.

The Sanity Check - Maximum Overhead Charge. The DCA has the FMD determine whether the overhead support is excessive or not. This is done twice each fiscal year. The FMD calculates the following:

1. Add applicable "R" code NIBD for the fiscal year that may be allocated to billeting for services rendered (NIBD should not include any reimbursement from the Billeting Fund for the allocated overhead expenses):

\$125K	RC - DCA/ADCFA
\$350K	RE - Services Division
\$200K	RF - Financial Management Division
<u>\$ 60K</u>	<u>RQ - Community Operations Division</u>
\$735K Total NIBD	applicable "R" codes

2. Determine the allocation base.

MWR and Billeting Funds (1 & F) (Not including the "R" codes to be allocated nor Department Code GL expenses)

\$1M	Cost of Goods Sold
\$4M	Total Operating Expense
\$500K	Other & Extraordinary Expense
<u>\$200K</u>	<u>Depreciation Expense</u>
\$5.7M	Total MWR & Billeting Fund

3. Determine percentage billeting and MWR funds are of the base.

Billeting Fund		MWR Fund
\$0	Cost of Goods Sold	\$1M
\$1.5M	Total Operating Expense	\$2.5M
\$200K	Other & Extraordinary Expense	\$300K
<u>\$100K</u>	<u>Depreciation Expense</u>	<u>\$100K</u>
\$1.8M	Total Fund Expenses	\$3.9M
31.6%	Proportionate Share of Total Expenses	68.4%

4. Determine the maximum applicable overhead.

\$735K	Applicable "R" code NIBD
<u>X .316</u>	
\$232K	Maximum that can be charged to Billeting Fund

5. The FMD determines the budgeted expenses to be charged to the Billeting Fund are \$150K, well within the maximum. At the time next year's budget is being prepared, the FMD will review the charges to ensure the charges are within the limitation.