

**VOLUME 3, CHAPTER 17: “ACCOUNTING REQUIREMENTS FOR MILITARY
CONSTRUCTION PROJECTS”**

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue, and underlined font](#).

The previous version dated [June 2019](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Streamlined to remove duplications.	Revision
1.2 (170102)	Added new authoritative guidance.	Added
2.5.8. (170205.H)	Revised to include use of new forms and removal of the Military Interdepartmental Purchase Request.	Revision
2.6 (170206)	Revised to include Title 10, United States Code, section 2807 language.	Revision
3.3.3.1. (170303.C.1)	Revised to include updated policy memorandum.	Revision
4.3 (170403)	Revised to include use of new forms and removal of the Standard Form 1080, Voucher for Transfers Between Appropriations and/or Funds.	Revision
5.5 (170505)	Streamlined the section for easier readability.	Revision
Table 1-1	Updated with Fiscal Year 2021.	Revision

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*TABLE 1. EVOLUTION OF A FISCAL YEAR 2021 MILITARY CONSTRUCTION PROJECT 4

CHAPTER 17

ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS

1.0 GENERAL (1701)

1.1 Purpose (170101)

This chapter identifies accounting requirements and legal authorities applicable to the construction of real property, including:

1.1.1. Costs to be charged to appropriations available for military construction (these costs are referred to as funded costs);

1.1.2. 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);

1.1.3. Preparation of accounting source documents required to support entries to real property accounts;

1.1.4. Obligation and expenditure restrictions and limitations for military construction projects; and

1.1.5. Various other related functions.

1.1.6. For policy relating to the construction of real property involving arrangements with host nations see the discussion of facilities and equipment outside the zone of the Interior (United States and Possessions) in Volume 4, Chapters 24 - 28.

*1.2 Authoritative Guidance (170102)

1.2.1. [Title 10, United States Code, section 2802 \(10 U.S.C. § 2802\)](#) authorizes the Secretary of Defense and Secretaries of the Military Departments to carry out military construction projects, land acquisitions, and defense access road projects. Typically, annual national defense authorization acts include military construction authorization acts. Congress has provided the Department permanent authority to carry out certain types of military construction projects. These standing authorities primarily are located within [10 U.S.C. Chapter 169](#), “Military Construction and Military Family Housing.” Chapter 169 includes:

1.2.1.1. [Subchapter I](#), Sections 2801 to 2815, “Military Construction;”

1.2.1.2. [Subchapter II](#), Sections 2821 to 2838, “Military Family Housing;”

1.2.1.3. [Subchapter III](#), Sections 2851 to 2869, “Administration of Military Construction and Military Family Housing;”

1.2.1.4. [Subchapter IV](#), Sections 2871 to 2886, “Alternative Authority for Acquisition and Improvement of Military Housing;” and

1.2.1.5. [Subchapter V](#), Sections 2890 to 2894, “Oversight of Landlords and Protections and Responsibilities of Tenants of Privatized Military Housing.”

1.2.2. [10 U.S.C. Chapter 1803](#), “Facilities for Reserve Components.”

1.2.3. Additional U.S.C. requirements prescribed in this chapter.

1.2.3.1. [10 U.S.C. § 480](#), “Reports to Congress: Submission in Electronic Form;”

1.2.3.2. [10 U.S.C. Chapter 160](#), “Environmental Restoration;”

1.2.3.3. [10 U.S.C. § 2577](#), “Disposal of Recyclable Materials;”

1.2.3.4. [10 U.S.C. § 2667](#), “Leases: Non-excess Property of Military Departments and Defense Agencies;”

1.2.3.5. [10 U.S.C. § 2668](#), “Easements for Rights-of-Way;”

1.2.3.6. [10 U.S.C. § 2703](#), “Environmental Restoration Accounts;”

1.2.3.7. [10 U.S.C. § 2707](#), “Environmental Restoration Projects for Environmental Responses;”

1.2.3.8. [10 U.S.C. § 7540](#), “Architectural and Engineering Services;”

1.2.3.9. [10 U.S.C. § 8612](#), “Employment of Outside Architects and Engineers;”

1.2.3.10. [10 U.S.C. § 9540](#), “Architectural and Engineering Services;”

1.2.3.11. [10 U.S.C. § 18233](#), “Acquisition;”

1.2.3.12. [10 U.S.C. § 18233a](#), “Notice and Wait Requirements for Certain Projects;”

1.2.3.13. [23 U.S.C. § 210](#), “Defense Access Roads;”

1.2.3.14. [42 U.S.C. Chapter 103](#), “Comprehensive Environmental Response, Compensation, and Liability;” and

1.2.3.15. [50 U.S.C. Chapter 34](#), “National Emergencies Act.”

1.2.4. Additionally, the accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions and are identified.

1.2.4.1. The United States Standard General Ledger ([USSGL](#)), Treasury Financial Manual, the Standard Financial Information System ([SEIS](#)) [Transaction Library](#), and the Department of Defense (DoD) Standard Chart of Accounts;

1.2.4.2. Title 23, Code of Federal Regulations ([CFR](#)), [Part 660, Subpart E](#), “Defense Access Roads;”

1.2.4.3. DoD Directive ([DoDD](#)) [3025.18](#), “Defense Support of Civil Authorities;”

1.2.4.4. [DoDD 4270.5](#), “Military Construction;”

1.2.4.5. DoD Instruction ([DoDI](#)) [4000.19](#), “Support Agreements;”

1.2.4.6. [DoDI 4165.56](#), “Relocatable Buildings;” and

1.2.4.7. United Facilities Criteria ([UFC](#)) [1-300-08](#), “Criteria for Transfer and Acceptance of DoD Real Property.”

2.0 MILITARY CONSTRUCTION PROCESS (1702)

2.1 Definition (170201)

Military construction is any construction, development, conversion, or extension of any kind carried out with respect to a military installation, whether to satisfy temporary or permanent requirements, or any acquisition of land or construction of a defense access road. A military construction project includes all military construction work necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility (or to produce such portion of a complete and usable facility or improvement as is specifically authorized by law). The authority to carry out military construction includes authority for (1) surveys and site preparation; (2) acquisition, conversion, rehabilitation, and installation of facilities; (3) acquisition and installation of equipment and appurtenances integral to the project; (4) acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project; and (5) planning, supervision, administration, and overhead incident to the project.

2.2 Authorization Requests (170202)

2.2.1. 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. The Assistant Secretary of Defense for Energy, Installations and Environment (ASD(Sustainment)) in conjunction with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) provides guidance for submitting military construction projects for authorization.

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

2.2.3. Authorization requests for major construction projects must be supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects must be arranged by state and/or installation. These data must 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 should also be provided. In addition, programs 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.

2.3 Authorization Guidance and Restrictions (170203)

2.3.1. Each Act of Congress that provides authorization for work performed under major construction programs generally contains a limitation on total costs for work 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.

2.3.2. Specific authorization in a military construction authorization act is required for work performed under major construction programs unless the project is carried out under one of the authorities provided by: 10 U.S.C. §§ 2667-2668, 2803-2805, 2808, 2854, 18233 and other authorities to carry out a project not otherwise specifically authorized.

2.3.3. A Military Department may not carry out a minor military construction project expected to exceed the statutory limits provided in 10 U.S.C. § 2805 without specific Congressional authorization and approval. See subparagraph **170302.C**.

2.3.4. 10 U.S.C. § 2802 provides authority to carry out a military construction project. See paragraph **170201**.

2.4 Appropriation Requests (170204)

2.4.1. Military Construction Projects. 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.

2.4.2. Military Family Housing. Individual projects must be authorized and appropriated in accordance with 10 U.S.C. Chapter 169, Subchapter II.

2.4.3. Reprogramming. Adjustments may be made as necessary to finance completion cost of:

2.4.3.1. Projects previously approved and started,

2.4.3.2. Projects expected to be started during the current fiscal year, and

2.4.3.3. Other project costs that represent valid unfinanced requirements for the budget year.

2.4.4. Reprogramming Amounts. All reprogramming amounts requested must be consistent with amounts appropriated for specified military construction projects and the reprogramming criteria provided in Chapter 7, “Reprogramming of Military Construction and Family Housing Appropriated Funds.”

2.4.4.1. The amount of reprogramming must be within total amounts appropriated in each annual appropriation act.

2.4.4.2. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

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

*2.5 Obligation and Expenditure Restrictions (170205)

2.5.1. Appropriated funds authorized for obligation are subject to the regulations regarding administrative control of funds and Antideficiency Act provisions addressed in Volume 14. An adequate system of funds control must be established in accordance with Volume 14. These controls must be designed to ensure individual projects are being carried out consistently with authorized purposes and within authorized and available funds.

2.5.2. 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 must 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 OMB.

2.5.3. Limitations will be at the project level for major construction and budget activity for minor construction and planning and design.

2.5.4. DoD Components have limited authority to realign resources between projects consistent with Volume 2B, Chapter 6.

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

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

2.5.7. There can be only one allotment of funds from the construction appropriation to any operating agency and only one suballotment of funds from any such allotment to each operating unit. These allotments and suballotments represent funds distribution only and are not made for reimbursable activity. Each allotment or suballotment should carry with it only such additional obligation limitations as may be established by 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.

***2.5.8. Intergovernmental Construction Work or Services**

2.5.8.1. Military Departments performing construction work or services for another DoD Component or other Federal agency are required to use reimbursable agreements defined within the Economy Act when practical. [Guidance in the Treasury Financial Manual, Volume I, Part 2, Chapter 4700, Appendix 6, Section 9](#) provides the standard Interagency Agreement containing Fiscal Service [\(FS\) Form 7600A](#), “General Terms and Conditions,” and [FS Form 7600B](#), “Order Form.” The FS Forms 7600A/B must cite a requirement for periodic billings for construction, and include supporting documentation of the costs billed. All DoD Components must use the latest published versions of FS Forms 7600A/B and must comply with the Federal Intragovernmental Data Standards when using the Treasury’s [G-Invoicing](#) system, DoD Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

2.5.8.2. DoD Construction Agents wishing to use suballotments rather than FS Forms 7600A/B must deliver a detailed action plan to the Deputy Chief Financial Officer (DCFO). If the detailed action plan is approved by the DCFO, the Construction Agents are required to:

2.5.8.2.1. Use independently validated Federal Information System Controls Audit Manual (FISCAM) and Federal Financial Management Improvement Act (FFMIA) compliant financial management systems:

2.5.8.2.1.1. FISCAM compliant systems must meet all relevant FISCAM control objectives to the financial statements (i.e. both Information Technology General Controls and application controls related control objectives).

2.5.8.2.1.2. FFMIA compliant systems must meet: Federal financial management system requirements (e.g., OMB Circulars A-127 and A-130), applicable Federal accounting standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS), OMB Bulletin (19-03), and the USSGL at the transaction level.)

2.5.8.2.2. Provide USSGL/SFIS compliant trial balances inclusive of budgetary and propriety accounts to each customer and Defense Finance and Accounting Service monthly. They must also provide reconciliations of the trial balances to:

2.5.8.2.2.1. Suballotment universe of transactions;

2.5.8.2.2.2. End-to-end feeder systems, including contract writing systems, entitlement systems, and Accountable Property Systems of Record;

2.5.8.2.2.3. Defense Departmental Reporting System (DDRS) unadjusted and adjusted trial balances; and

2.5.8.2.2.4. Program Budget Accounting System funding authorizations.

2.5.8.2.3. Provide end-to-end business process and underlying system walkthroughs, process flows, and narratives, for the execution of Military Construction projects - both major and minor. The end-to-end business process includes the receipt of funding through the transfer of asset(s) and close-out of related contracts. The process should demonstrate how all costs (direct and indirect) associated with bringing an asset into service is accumulated in a construction-in-progress account in accordance with [SFFAS 6](#), Accounting for Property, Plant, and Equipment.

2.5.8.2.3.1. Within five days of receipt from customer, provide requested transaction supporting documentation. Documentation may include: contracts, invoices, receiving documents, rate settlement calculations, Department of Defense [\(DD\) Form 1354](#), Transfer and Acceptance of DoD Real Property, and support for DDRS or accounting system Journal Vouchers.

2.5.8.2.3.2. Work with customer auditors to identify and correct any audit findings, including system findings.

2.5.8.3. Provide a reconciliation of progress billings to actual construction in progress and provide sufficient supporting documentation for the reconciliation at least monthly.

2.5.8.4. DoD Construction Agents may perform work or services for another DoD Component or other Federal agency (i.e. Federal Emergency Management Agency) when construction or services work is a response to an emergency, under suballotments.

2.5.8.5. Funding for construction work by the transfer of appropriation accounts or by advances of funds is prohibited. Direct citation of funds (i.e. direct charge by the performing unit and/or activity to the funds of the ordering unit and/or activity) is also prohibited.

2.5.9. The performance or all work or services on a reimbursable basis under a construction appropriation must conform to the policies prescribed in this subparagraph:

2.5.9.1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. Recording reimbursements for orders received is permitted for establishing obligational authority. Cost limitations for the performance of work must be observed pursuant to the terms of the orders received. Operating budgets must include estimates of reimbursable orders received or anticipated.

2.5.9.2. 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, allotments of funds must 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.

2.5.10. Authority to procure architectural and engineering services for public works and utilities projects is provided by 10 U.S.C. § 7540, 8612 and 9540. These sections, which apply to the Departments of the Army, Navy, and Air Force, and limit the amount of obligations that can be incurred for architectural and engineering services for any public works or utilities project. Specifically, these sections limit the amount of such services provided by sources outside the respective Departments to not more than six percent of the estimated cost of the project. The six 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.

*2.6 Planning and Design (170206)

2.6.1. 10 U.S.C. § 2807 authorizes the Secretary to obtain architectural and engineering services and may carry out construction design in connection with military construction projects, family housing projects, and projects undertaken in connection with the authority provided under 10 U.S.C. § 2854 not otherwise authorized by law.

2.6.1.1. Such efforts may be accomplished without specific congressional authorization for the project, provided the activities are accomplished within amounts appropriated and the estimated design costs do not exceed the amount established in 10 U.S.C. § 2807, as amended. The established limit is \$1 million.

2.6.1.2. 10 U.S.C. § 2807 prescribes an obligational notice and wait period for architectural and engineering services and construction design services for which the estimated costs exceed \$1 million. Before obtaining such services, the Secretary concerned will notify the appropriate committees of the Congress before the initial obligation of funds for such services. The Office of the ASD(Sustainment), Facility Investment and Management Directorate will receive copies of the Congressional notification. The Secretary concerned can only obligate the funds after the end of a 14-day period following the [electronic](#) notification to Congressional committees pursuant to 10 U.S.C. § 480. This provision applies to both the active and reserve components of the Military [Departments](#).

2.6.2. See subparagraph 170205.J. for limitations on the amount of costs Military Departments may incur for architectural or engineering services obtained from sources outside of the respective Department.

2.6.3. Planning and design functions include:

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

2.6.3.2. Preparation of cost estimates for construction and land acquisition projects;

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

2.6.3.4. Construction management of projects funded by foreign governments for which elements of the Armed Forces of the United States are the primary users;

2.6.3.5. Development and updating of design criteria and manuals;

2.6.3.6. Preparation of standard designs and definitive drawings used on military construction projects;

2.6.3.7. Management of military construction program design and contract administrative services for design;

2.6.3.8. Certification of project cost;

2.6.3.9. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects; and

2.6.3.10. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

2.7 Scope of a Military Construction Project (170207)

2.7.1. Military construction projects include all acquisitions of land, regardless of cost. 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 will be submitted to the Deputy Secretary of Defense through ASD(Sustainment).

2.7.2. 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.

2.7.3. 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 must be disclosed as additional information in presenting construction programs and budgets.

2.7.4. Construction applicable to one real property facility:

2.7.4.1. 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.

2.7.4.2. All concurrent construction proposed for contiguous areas of a multi-use facility must 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.”

2.7.4.3. 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, must be treated as a single project.

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

2.7.5. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. Because 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

2.7.6. A decision as to whether one project or several projects are to be established for related efforts must be submitted for approval to the Secretary of the appropriate Military Department.

2.8 Certifications of Costs (170208)

2.8.1. Certifications of costs incurred must be prepared in accordance with the format shown in UFC 1-300-08. These certifications must include statements of total cost incurred on the project; the total cost broken out for each building, linear structure, and structure constructed as part of the project; and the total cost broken into the categories of planning and design, construction contract supervision and administration, construction costs, and project funded real property installed equipment (RPIE) costs. In connection with the statement of total costs, the types of funds obligated or the lines of accounting for the funds must be identified as well as the organization(s) responsible for funding the acquisition.

2.8.2. The certification must be completed upon completion of the contract and furnished to the accountable Service when final costs of construction are accrued. The certification must be signed by an individual within the construction agent organization responsible for and authorized

to transfer accountability and by the individual within the acquiring entity responsible for and authorized to accept accountability of the relevant properties (in most cases, the Real Property Accountable Officer).

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

2.9 Project Files (170209)

Project files must be maintained for each construction project. These project files must represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project should be incorporated into project files at all appropriate levels. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations. Construction agents are responsible for holding the historical project files and must provide copies of the files to the acquiring entity. Any agreements or contracts with construction agents must specify the requirement for the construction agent to provide copies of such files to the acquiring entity in accordance with this paragraph on a monthly basis.

3.0 CATEGORIES OF MILITARY CONSTRUCTION PROJECTS (1703)

3.1 Specified Military Construction Projects (170301)

3.1.1. Specified military construction projects, or “major military construction” projects, include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of:

3.1.1.1. Facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project, or

3.1.1.2. Any project, regardless of cost, approved as a specific line item in the Military Construction budget request.

3.1.2. Elements of a major construction project should include:

3.1.2.1. Surveys, demolition and site preparation;

3.1.2.2. Acquisition, conversion, rehabilitation, and installation of facilities;

3.1.2.3. Acquisition and installation of equipment and appurtenances integral to the project;

3.1.2.4. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project;

3.1.2.5. Supervision, administration, and overhead incident to the project; and

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

3.1.3. Specifically excluded from major construction are those activities identified as minor construction, planning and design, or supporting activities.

3.2 Unspecified Minor Military Construction (170302)

3.2.1. Projects involving the acquisition of new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are minor construction projects when:

3.2.1.1. 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

3.2.1.2. The project has not been included in the budget request as a specific line item.

3.2.2. 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 must be financed from unspecified minor construction appropriations; operations and maintenance (O&M) appropriations; research, development, test and evaluation (RDT&E) appropriations; working capital fund resources; or other resources, as appropriate. The funding source does not influence the financial statement capitalization requirements described in subparagraph 170602.A.

3.2.3. Project guidelines include:

3.2.3.1. 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.

3.2.3.2. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement.

3.2.3.3. 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.

3.2.3.4. 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.

3.2.4. Notification requirements include:

3.2.4.1. When a minor construction project costing more than amounts established in 10 U.S.C. § 18233a is undertaken, appropriate congressional committees must 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 if earlier, the end of the 14-day period beginning on the date on which an electronic copy of the notification is provided in an electronic medium pursuant to 10 U.S.C. § 480. Funds cannot be obligated for construction until the committee approves the minor construction

3.2.4.2. 10 U.S.C. § 2805 requires the Secretary concerned to notify, in writing, the appropriate committees of Congress of a decision to undertake an unspecified minor construction project costing more than \$2 million. Notification must include the justification and estimated cost of the project. The project may be carried out only after the end of the 14-day period beginning on the date notification is received by the committees in an electronic medium pursuant to 10 U.S.C. § 480.

3.2.5. Additional minor construction provisions include:

3.2.5.1. 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.

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

3.2.5.3. 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.

3.2.5.4. 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.

3.3 Emergency and Contingency Construction (170303)

Congress provides several separate authorities for major construction during times of war and national emergency and other special situations. These authorities are:

3.3.1. Construction [Authority](#) in the Event of a Declaration of War or National Emergency

3.3.1.1. 10 U.S.C. § 2808 contains authority [authorizing](#) 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. This adheres to the National Emergencies Act, 50 U.S.C. Chapter 34, which requires use of the Armed Forces of the United States.

3.3.1.2. Such projects must be necessary to support use of the Armed Forces and may be undertaken only within the total amount of funds appropriated for military construction, including funds appropriated for family housing, that have not been obligated. Additional guidance is contained in DoDD 3025.18 and DoDD 4270.5.

3.3.1.3. When a Secretary of a Military Department decides, in conjunction with the supported Combatant Commander, to request use of this authority, the Secretary of the Military Department will submit a request to ASD(Sustainment). This request must include:

3.3.1.3.1. [DD 1391](#), Military Construction Project Data, providing justification for the project and a current cost estimate. Justification must include alternatives considered to using this authority and reasons for their non-selection.

3.3.1.3.2. An explanation of when the requirement was identified and how it was planned or programmed for execution prior to the current request.

3.3.1.3.3. A complete description of the source of funds to be used for the project, including the specific reasons as to why the funding is available and associated notifications under 10 U.S.C. § 2853, "Authorized Cost and Scope of Work Variations," as necessary.

3.3.1.3.4. An expected timeline and acquisition method for the project (including design, milestones, construction contract award, and completion dates) assuming project approval within 30 days of submission of the request to ASD(Sustainment).

3.3.1.3.5. Rationale as to why the project should not be deferred to a future budget request.

3.3.1.4. In conjunction with a Military Department request for 10 U.S.C. § 2808 authority, the Chairman of the Joint Chiefs of Staff must certify to the ASD(Sustainment) the request satisfies Combatant Commander priorities and is consistent with theater basing plans and/or operational requirements.

3.3.1.5. Once the Secretary of the Defense has notified the Congress, the OUSD(C) will issue funds pursuant to Chapter 5. Further, increases to the estimated costs provided in the notification require OUSD(C) coordination and reissuance of the funds.

3.3.1.6. This authority will terminate at the end of the war or national emergency.

3.3.2. Emergency Construction

3.3.2.1. 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 DoDD 4270.5, “Military Construction.” Emergency construction is limited to those projects where it is determined:

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

3.3.2.1.2. The requirement for the project is so urgent 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.

3.3.2.2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned must 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. Each reprogramming request must include:

3.3.2.2.1. Justification for the cost of the project,

3.3.2.2.2. The current estimate of the cost of the project,

3.3.2.2.3. Justification for carrying out the project as an emergency construction project, and

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

3.3.2.3. Emergency construction projects must be financed within amounts appropriated for military construction not obligated for other purposes. The maximum obligated amount by each Military Department in any fiscal year is established in 10 U.S.C. § 2803.

3.3.2.4. The project may be carried out only after the end of the five-day period beginning on the date the notification is received by the Congressional committees in an electronic medium pursuant to 10 U.S.C. § 480.

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

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

*3.3.3. Contingency Construction

3.3.3.1. 10 U.S.C. § 2804, “Contingency Construction” and the annual Military Construction Appropriation Acts authorize 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. Additional requirements on the use of operation and maintenance funds under contingency construction authority for construction projects inside the United States Central Command Area of Responsibility (AOR) or certain countries in the United States Africa Command AOR are prescribed by OUSD(C) in a memorandum located on the DoD Financial Management Regulation (FMR) website on the [Policy Memoranda](#) page (under the “Volume 3” heading) and is updated more frequently than FMR chapters. The purpose of the policy memorandum is to extend authority for a specific period, authorizing funds for military construction.

3.3.3.2. 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 DoDD 4270.5.

3.3.3.3. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress.

3.3.3.4. When a decision is made to request approval for a contingency construction project, the DoD Component concerned must 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. Each reprogramming request must include:

3.3.3.4.1. Justification for the cost of the project,

3.3.3.4.2. The current estimate of the cost of the project, and

3.3.3.4.3. Justification for carrying out the project as a contingency construction project.

3.3.3.5. Actual construction may not commence prior to the receipt of appropriate DoD and congressional approval. The project may be carried out only after the end of the seven-day period and beginning on the date the notification is received by the appropriate in an electronic medium pursuant to 10 U.S.C. § 480.

3.4 Environmental Response Actions (170304)

3.4.1. Authority for environmental response actions is provided under 10 U.S.C. subtitle A, Part IV, Chapter 160, “Environmental Restoration.” Under the provisions of 10 U.S.C § 2707, “Environmental Restoration Projects for Environmental Responses,” the Secretary of Defense or the Secretary of a Military Department may carry out an environmental restoration project if that Secretary determines the project is necessary to carry out a response under Chapter 160 or the

Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. Chapter 103.

3.4.2. Any construction, development, conversion, or extension of a structure, and any installation of equipment, included in an environmental restoration project may not be considered military construction.

3.4.3. The United States Department of the Treasury (Treasury) Fund Symbol ***X0810, “Environmental Restoration” has been established by 10 U.S.C § 2703, “Environmental Restoration Accounts” for the conduct of environmental restoration projects. (Replace *** with appropriate DoD or Military Department identifier.) This account will be credited with:

3.4.3.1. Amounts appropriated to this account by Congressional action,

3.4.3.2. Amounts recovered under CERCLA for response actions, and

3.4.3.3. Any other amounts recovered from a contractor, insurer, surety, or other person to reimburse the DoD or a Military Department for any expenditure for environmental response activities.

3.4.4. Use of Funds

3.4.4.1. The Environmental Restoration Account described in this paragraph is the only source of funds to conduct environmental restoration projects at a site under the jurisdiction of the DoD or at a formerly used defense site, except for certain Base Realignment and Closure sites.

3.4.4.2. In the case of property disposed of pursuant to a base closure law and subject to certain CERCLA provisions, the sole source of funds for environmental restoration is the applicable DoD base closure account. See 10 U.S.C. § 2703 for additional provisions.

3.4.4.3. No funds appropriated to the Environmental Restoration Account, or to any environmental restoration account of a Military Department may be used for the payment of a fine or penalty (including any supplemental environmental project carried out as part of such penalty) imposed against the DoD or a Military Department, except as provided in 10 U.S.C. § 2703, paragraph f.

3.4.5. See Volume 4, Chapter 13 for the accounting policy for measuring, recognizing, and disclosing environmental liabilities.

3.5 Restoration or Replacement of Damaged or Destroyed Facilities (170305)

3.5.1. The Secretaries of the Military Departments and the Secretary of Defense may repair, restore or replace a facility damaged or destroyed and for which legislative authorization and appropriation has not been provided.

3.5.2. 10 U.S.C. § 2854, “Restoration or Replacement of Damaged or Destroyed Facilities,” requires 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. See Chapter 7.

3.5.3. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned must submit a request in accordance with the provisions of 10 U.S.C. § 2854 and Chapter 7. Each reprogramming request must include:

3.5.3.1. Justification for, and the current estimate of, project cost; and

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

3.5.4. Restoration or replacement projects must be financed within amounts appropriated that have not been obligated for other purposes.

3.5.5. A replacement project under this section may be carried out only after the end of the seven-day period beginning on the date on which a copy of the notification in an electronic medium pursuant to 10 U.S.C. §480.

3.6 Defense Access Roads (170306)

3.6.1. 23 CFR Part 660, Subpart E, states the defense access roads program provides a means by which the Federal government may pay its fair share of the cost of:

3.6.1.1. Highway improvements needed for adequate highway service to defense and defense related installations;

3.6.1.2. New highways to replace those, which must be closed to permit establishment or expansion of defense installations;

3.6.1.3. Repair of damage to highways caused by major military maneuvers;

3.6.1.4. Repair of damages due to the activities of contractors engaged in the construction of missile sites; and

3.6.1.5. Missile routes to ensure their continued ability to support the missile transporter-erector vehicle.

3.6.1.6. Funds appropriated for the purposes of this section must be available to pay the cost of repairing damage caused to for any infrastructure to mitigate the risks posed to, highways by recurrent flooding and sea level fluctuation, if the Secretary of Defense must determine continued access to a military installation has been impacted by past flooding and mean sea level fluctuation

3.6.2. Authorization for the funding of the construction and maintenance of defense access roads is provided by 23 U.S.C. § 210, “Defense Access Roads.” Defense access roads, including bridges and tunnels, provide access to military reservations, to defense industries and defense industry sites, and to the sources of raw materials when such roads are certified as important to the national defense by the Secretary of Defense or such other official as the President may designate. In addition, DoD may replace existing highways and highway connections that are shut off from the general public use by necessary closures or restrictions at military reservations and defense industry sites.

3.6.3. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways must 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.

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

3.7 Relocatable Buildings (170307)

3.7.1. A relocatable building is a habitable prefabricated structure designed and constructed to be readily moved, erected, disassembled, stored, and reused. Also included in the definition are tension fabric structures assembled from modular components and air-supported domes, both of which can be easily disassembled, moved, and reused. This definition excludes mobile military equipment such as communications vans, emergency management and command post trailers. Also excluded are tents, modular sheds less than 500 square feet, temporary contractor trailers, and temporary government construction administration trailers located on, or in the vicinity of, a construction site.

3.7.2. DoDI 4165.56, “Relocatable Buildings,” provides DoD guidance for the acquisition and use of relocatable buildings. This instruction provides relocatable buildings may be acquired, stored, and used within DoD when these facilities constitute the most feasible and economical means of satisfying short-term interim facility requirements pending the availability of permanent space in existing facilities or through the construction of a permanent conventional facility. An interim facility requirement is a short-term requirement (normally 5 years or less) for facilities due to transitory peak military missions, deployments, military contingency operations, or disaster relief requirements, or other urgent requirements. Relocatable buildings also may be used instead of conventional, permanent construction when the duration of the requirement is uncertain such as in a contingency operation pursuant, or instead of conventional, permanent construction when the space is known to have a recurring mobile requirement, such as the need to move a field office to different sites on a training range.

3.7.3. Buildings, which meet the definition of relocatable buildings, may be classified as personal property when purchased as an equipment item, and if so, must be acquired with funds available for O&M, RDT&E or Procurement funds, as appropriate.

3.7.4. The acquisition of buildings, to include modular facilities, which do not qualify as relocatable buildings under applicable policy, must be acquired as military construction. The rules for Specified Military Construction Projects (see paragraph 170301), Unspecified Minor Military Construction (see paragraph 170302), Emergency and Contingency Construction (see paragraph 170303) or other applicable authority must be applied. Site preparation to erect or install relocatable buildings resulting in real property improvements is classified as construction and is funded with O&M or military construction in accordance with 10 U.S.C. §§ 2801 and 2805.

3.7.5. Costs for set up, disassembly, maintenance, refurbishment, packaging, and transporting relocatable buildings classified as equipment are expenses and must be appropriately charged to appropriations available to fund such costs.

3.7.6. Relocatable buildings may be authorized and acquired as real property. Relocatable buildings acquired as real property are funded with either O&M or Military Construction funds depending on the total acquisition cost in accordance with the cost thresholds for construction pursuant to 10 U.S.C. §§ 2801 and 2805. In determining the threshold, the cost of the relocatable building will be based on the total cost of the completely assembled building and not on the separate components, and includes all site work.

4.0 EFFORTS FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS (1704)

4.1 Funded Costs (170401)

Except as prescribed in section 1705, major costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to:

- 4.1.1. All materials, supplies, and services applicable to the project;
- 4.1.2. RPIE, unless such equipment was obtained on a non-reimbursable basis from another DoD Component or federal agency;
- 4.1.3. Transportation costs applicable to materials, supplies, and government owned equipment;
- 4.1.4. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor;
- 4.1.5. The 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;
- 4.1.6. Supervision, inspection and overhead costs charged by the USACE and the NAVFEC when serving as the design and/or construction agent;
- 4.1.7. Travel and per diem related to applicable military or civilian labor;

4.1.8. The portion of costs applicable to the O&M of Government owned equipment, computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

4.1.9. For specified major construction projects, planning and design costs described in paragraph 170206; and

4.1.10. Cost of remediating unknown environmental contamination within the footprint of a military construction project.

4.2 Overhead Expenses (170402)

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:

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

4.2.2. Contract administration;

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

4.2.4. Technical direction and coordination of projects;

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

4.2.6. Project management and administration not otherwise identified in this paragraph.

*4.3 Reimbursable Project Costs (170403)

The appropriation or fund financing a construction project must reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations must be made using FS Forms 7600A/B and include supporting documentation of performance, receipt, and acceptance by using the G-Invoicing system. In instances where G-Invoicing is not available, DoD Components must use hardcopies of FS Forms 7600A/B and DD 1354 or DD 250, Material Inspection and Receiving Report. Additionally, the SF 1080, Voucher for Transfers Between Appropriations and/or Funds, may be necessary for fund transfers.

5.0 RELATED COSTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS (1705)

5.1 Unfunded Costs (170501)

5.1.1. Some military construction **costs** are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs:

5.1.1.1. Contribute to a military construction project,

5.1.1.2. Are financed from appropriations other than military construction, and

5.1.1.3. Are not reimbursed by appropriations available for military construction.

5.1.2. Unfunded costs include:

5.1.2.1. Costs financed from military personnel appropriations;

5.1.2.2. Costs applicable to the depreciation of government owned equipment computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

5.1.2.3. Unfunded civilian fringe benefit rates for DoD civilian personnel as prescribed in Volume 11A, Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit;"

5.1.2.4. Gifts from private parties;

5.1.2.5. In-kind considerations; and

5.1.2.6. Materials, supplies, and items of RPIE obtained specifically for a project on a non-reimbursable 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 RPIE on its own minor construction projects on a non-reimbursable basis).

5.1.3. 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.

5.2 Advance Planning (170502)

5.2.1. Advance planning activities generally are performed prior to funding **and design** authorization of a construction project by the military component. Advance planning and design activities include, but are not limited to:

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

5.2.1.2. Developing a master plan for an installation,

5.2.1.3. Initial explorations of project alternatives and rough drawings,

5.2.1.4. Facilities related management studies,

5.2.1.5. Conceptual analyses,

5.2.1.6. Making alternative site studies,

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

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

5.2.1.9. Preparing environmental impact assessments and statements.

5.2.2. Advance planning 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. See subparagraphs 170301.B and 170302.F. Advance planning is not encompassed by, and should not be performed under, the authority for military construction project planning and design efforts, such as 10 U.S.C. § 2807 or 18233(f).

5.2.3. Advance planning costs are financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

5.2.4. Advance planning costs are expensed in the period incurred.

5.3 Minor Construction (170503)

For other than family housing projects, when the cost of a minor construction project is less than the amount established in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations, O&M appropriations, RDT&E appropriations, working capital funds resources, or other resources, as appropriate. See paragraph 170302.

5.4 Family Housing (170504)

All family housing construction projects must be funded from applicable family housing appropriations. Policy concerning funding of family housing efforts is addressed in Volume 2B, Chapter 6.

*5.5 Equipment and Relocatable Items (170505)

5.5.1. The following must be financed from O&M, RDT&E, or Procurement appropriations or working capital fund resources, as appropriate:

5.5.1.1. Items of equipment are moveable and not affixed as an integral part of a facility;

5.5.1.2. Any operational equipment for which installation mountings and connections are provided in the building design and are detachable without damage to the building or equipment; and

5.5.1.3. The costs of alterations to install movable equipment not affixed as an integral part of a facility.

5.5.2. Examples of equipment or relocatable items are:

5.5.2.1. Equipment including all types of production processing technical, training, servicing, RDT&E, and pre-wired work stations;

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

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

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

5.6 Recycling Programs (170506)

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:

5.6.1. Is funded from the proceeds of sales of recyclable material in accordance with Volume 11A, Chapter 5 and 10 U.S.C. § 2577, "Disposal of recyclable materials," and

5.6.2. 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.

6.0 RECOGNITION AND REPORTING REQUIREMENTS (1706)

6.1 Acceptance of Real Property (170601)

The acceptance of real property by an accountable Military Department or the Washington Headquarters Service, as well as the transfer between DoD Components, or to or from other federal agencies, must be documented. UFC 1-300-08 provides comprehensive guidance on the documentation of real property acceptance throughout the DoD by identifying the use of a draft, interim, and final version of the DD 1354. It also describes how the DD 1354 is used as part of a real property business process and defines the roles and responsibilities in the DD 1354 process. Though the DD 1354 is the basic source document, it typically does not stand-alone. UFC 1-300-08 lists examples of additional documents that should be provided with and attached to the DD-1354 such as, but not limited to, an approved work order, an authorization memorandum, information from contracts and contract modifications, and invoices. Additional information is in Volume 4, Chapter 24.

6.2 Accounting Recognition (170602)

6.2.1. Capitalization of Assets

6.2.1.1. Capitalization is the process of recognizing the total costs of an asset, including property, plant, and equipment, in the financial records. Volume 4, Chapters 24 – 28 define capitalized general property, plant, and equipment as assets that meet four criteria:

6.2.1.1.1. Have an estimated useful life of two years or more,

6.2.1.1.2. Are not intended for sale in the ordinary course of operations,

6.2.1.1.3. Are acquired or constructed with the intention of being used or being available for use by the entity, and

6.2.1.1.4. Have a recorded cost that equals or exceeds the appropriate DoD capitalization threshold. See Volume 4, Chapters 24 - 28 for DoD capitalization threshold amounts.

6.2.1.2. All significant costs related to the construction or acquisition of an asset, including unfunded costs identified in paragraph 170501, must be recognized in capitalizing the costs of a project. The source of funding has no bearing on the capitalization of assets. See Volume 4, Chapters 24 - 28 for additional information regarding recognized and capitalized costs.

6.2.1.3. All costs following the project approval and funding authorization by the DoD Component must be capitalized.

6.2.1.4. Direct costs incurred in the design and construction phases of a project must be charged to a specific project. Other costs (listed in paragraph 170402) that are financed by military construction and subject to capitalization must be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.

6.2.2. Amounts to be Expensed

6.2.2.1. Costs incurred in the advance planning must be expensed in the period incurred. See paragraph [170502](#). These costs are not capitalized as part of the asset.

6.2.2.2. When a project is abandoned, the total cost incurred must be expensed consistent with Volume 4, Chapters 24 -28 and Volume 4, Chapter 17.

6.3 Financial Reporting (170603)

6.3.1. United States Standard General Ledger

6.3.1.1. The USSGL must be used in all DoD accounting systems for all appropriations and funds for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. (See the USSGL Treasury Financial Manual and Volume 1, Chapter 7.) The USSGL accounts and transactions applicable within DoD are documented in the SFIS Transaction Library and DoD Standard Chart of Accounts. Use of these accounts is required in order to classify costs for the joint purposes planning, programming, budgeting, and accounting for construction projects.

6.3.1.2. 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.

6.3.1.3. Cost accounting modules for accumulating and controlling construction projects must 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, must be established for each project. Policy for managerial cost accounting is prescribed in Volume 4, Chapter 19.

6.3.1.4. Charges to an account must be categorized in one of the four construction phases addressed in Appendix A. The four phases addressed in Appendix A identify those costs that will be expensed and those costs that will be capitalized.

6.3.2. Specific Entries

Construction In Progress is USSGL account 172000 which can be subdivided. The [Construction in Progress](#) is used to accumulate and control costs as prescribed in Volume 4, Chapters 24 - 28. Also, see the [USSGL, SFIS Transaction Library, and Volume 1, Chapter 7 for accounting entries](#).

6.3.3. Financial Reports

6.3.3.1. Accounting records must be designed to permit summarization of financial transactions producing accurate and timely information from one system of accounts. Data must

be in formats prescribed for budget and financial reports. **Additionally**, management data may be required in executing financial oversight. **Records** and costs must be designed and maintained to facilitate audits of project amounts.

6.3.3.2. Each military construction appropriation account must be reported monthly in the “Report of Appropriation Status by Fiscal Year Program and Subaccounts,” Accounting Report Monthly 1002. The report must be prepared as prescribed in Volume 6A, Chapter 4.

APPENDIX A: PHASES OF MILITARY CONSTRUCTION

Congressional authorization of major construction projects typically represents the culmination of planning, programming, and budgeting efforts. A project evolves from a determination that a facility deficit exists. The need is defined, given a priority ranking, and placed in competition with other projects for available resources. The project definition effort begins at the installation level and moves through the chain of command until the project ultimately is included in the budget submittal. Table 1 to this appendix, “Evolution of a Fiscal Year 2021 Military Construction Project,” depicts the life cycle of a military construction project and shows the process could take three to seven years from conception to completion. The actual design phase could take one to two and a half years, while the construction phase could take one to three years. The remaining time is for planning, programming, budgeting and procurement activities. The scope and cost of each project must be finalized before the annual budget submission to the Congress. The total construction process consists of four phases:

1.0 ADVANCED PLANNING AND PROGRAMMING

1.1 Planning. During planning, an installation’s facility requirements are derived from the installation’s mission. The need to acquire additional facilities, or to modernize or replace existing facilities, is determined by an assessment of how existing facilities meet the installation’s facility requirements.

1.2 Programming. During programming, requirements are matched with anticipated resources and included in a long-range acquisition and recapitalization plan. Installation plans are combined into a Component wide basis to ensure compatibility with the nation’s military strategy, Component priorities and guidance, and in consideration of the Department of Defense (DoD) facilities investment goal.

1.3 Investment Goal. The DoD and the Congress recognize that a minimum level of facilities investment **must** be reached each year to protect existing **investment** facilities, ensure facilities continue to satisfy designated purposes, and renew aging installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The investment goal is to recapitalize facilities at an appropriate rate given their estimated service life.

1.4 Master Planning. Facility requirements are reflected in an installation master plan. This document is the installation’s long-range strategy for development. It prescribes overall facility quality standards and architectural themes and addresses such areas as land use, utility systems, roads and parking.

1.5 The cost of the efforts described in subparagraphs **1.a through 1.d** are normally expensed and not capitalized.

1.6 Project Advanced Planning and Programming. After it is determined a construction project is needed, a general description of the project requirement, scope, cost estimate, and supporting documentation is submitted as part of the installation’s military construction budget request.

2.0 BUDGETING

2.1 DoD Components determine which facility projects should be included in their Military construction budgets. Some facility projects may qualify for inclusion in other budgets, such as Procurement, Research, Development, Test and Evaluation, Operations and Maintenance or for accomplishment with nonappropriated funds.

2.2 The budget requests are forwarded to Office of the Secretary of Defense (OSD), where all programs are reviewed for compliance with DoD objectives and policies and modified as necessary to ensure consistency and conformity. Once the request has been jointly reviewed and approved by OSD and OMB, it is submitted to Congress as part of the President's Budget.

2.3 After receipt of the President's Budget, it is reviewed by oversight subcommittees of the House and Senate Appropriations Committees, House National Security, and Senate Armed Services Committees. Often, witnesses from respective DoD Components, and sometimes from the private sector, appear before the subcommittees to furnish further information on specific programs and projects.

2.4 Upon completion of its review, each subcommittee marks up the budget request and forwards its recommendations for approval to the full committee and then to the full chamber. Differences between the projects approved by the House and Senate are resolved in joint conferences. The Congress passes separate authorization and appropriation bills that, when signed by the President, become the approved Military Construction program.

2.5 The cost of these efforts is normally expensed and not capitalized.

3.0 DESIGN

3.1 Once a Military Department has validated the requirement and priority of a military construction project and inserted it in a specific fiscal year program, a design instruction is issued to the design agent who initiates the design process.

3.2 Design may be accomplished by contracting with an architect-engineer firm, a design build firm, or an in-house professional staff. If the design is to be contracted, Title 10, United States Code, section 2855 will be followed.

3.3 Design is accomplished in predetermined phases to assure requirements are addressed properly in the design and that established standards and criteria are met. The number of phases and detail required for each phase varies with each project, depending on complexity, special interest, high visibility, time constraints, and funding level.

3.4 Normally, the critical point is the preliminary design stage (referred to as the 35 percent stage) since this stage provides sufficient detail to define scope, criteria, and cost estimates for consideration in the budgeting process. The content of the 35 percent design submittal is defined in the contract scope of work and will vary depending on the contract delivery strategy to be used to acquire the facility. The most typical strategy is a design based on a unique effort. However,

design could also be a strategy such as site adapt, a performance specification using commercially available building systems, or a design build, but each of these contracting processes determines the content of the 35 percent design submittal.

3.5 Design includes such actions as the development of design manuals, software programs, guide specifications and standards, standard drawings, extensive site investigation, analysis of alternative solutions, development of building systems layout, outline specifications, cost estimates, and special studies including value engineering.

3.6 The final design phase is initiated after thorough review by the using activities to ensure requirements and criteria were addressed properly in the preliminary design documents, the project has been revalidated, and is still in the budget. Upon completion of the work drawings, contract specifications, and bidding documents, the project is ready to be advertised for construction. Projects require both congressional authorization and appropriation before a construction contract can be awarded.

3.7 The cost of these efforts, including administrative and overhead support costs, must be capitalized.

4.0 CONSTRUCTION

4.1 Normally, military construction projects are awarded through a competitive bid process and advertised in “Contract Opportunities,” using sealed bid procedures and awarding a firm fixed price contract to the contractor submitting the lowest acceptable bid. However, as discussed previously for the design phase, alternative contracting delivery strategies may be followed in accordance with the Federal Acquisition Regulation and congressional direction. Regardless of the method used, all requirements for construction contracts over \$25,000 must be advertised in “Contract Opportunities” to include details of the bidding procedures to be used.

4.2 Advertisement, award, and administration of a construction contract require both in-house and contract efforts including reproduction of bid documents, preparation and response to the advertisement, supervision, and administration and inspection throughout the life of the construction project, in addition to the total cost of the construction contract.

4.3 The cost of these efforts must be capitalized.

***TABLE 1. EVOLUTION OF A FISCAL YEAR 2021 MILITARY CONSTRUCTION PROJECT**

PHASES	2016	2017	2018	2019	2020	2021	2022	2023
PLANNING, PROGRAMMING AND BUDGETING	User Identifies and Develops Project	Service Inserts Project in FYDP*	Service Completes Planning	Service Finalizes Program and Prepares Budget	OSD Submits Budget to the Congress			
LEGISLATION					Congressional Committees Hold Hearings & Enact Legislation			
DESIGN			Service Selects A&E** Negotiates Contract	A&E** Performs 0-35% Design. Service Reviews and Approves	A&E** Performs 35-100% Design. Service Reviews and Approves			
CONSTRUCTION						Service Solicits Bids and Awards Contract 1/ Construction		User Occupies Facility

* Future Years Defense Program

** Architect and/or Engineer

1/ Contracts may not be awarded without congressional authorization and appropriations