

Reclamation Manual

Directives and Standards

Subject:	Working Capital Fund (WCF) Roles and Responsibilities and Major Management Elements
Purpose:	To establish roles and responsibilities for the Bureau of Reclamation's WCF and to identify major management elements. The benefit of this Reclamation Manual (RM), Directive and Standard (D&S) is to provide current accounting responsibilities and requirements that comply with Generally Accepted Accounting Principles.
Authority:	The Energy and Water Development Appropriations Act of 1986, (November 1, 1985; Public Law 99–141, Title II, Section 205; 99 Stat. 571; 43 U.S.C. 1472) and acts amendatory and supplemental thereto.
Approving Official:	Director, Management Services Office (MSO), Reclamation-wide WCF Manager
Contact:	Business Analysis Division (BAD), Mail Stop 84-27400, 303-445-3430

1. **Introduction.** The WCF operates entirely within its own resources to provide goods and services on a reimbursable basis to other Reclamation WCF activities, non-WCF projects, and other Federal and non-Federal entities as authorized by Congress. The cost of delivering these goods and services is distributed equitably between the customers receiving the benefit in such a way as to ensure full cost recovery. Upon receipt of the Reclamation WCF Manager's approval, the regions are authorized to establish, maintain, and operate WCF activities.
2. **Applicability.** Public Law 99–141, *The Energy and Water Development Appropriations Act of 1986*, established Reclamation's WCF in fiscal year (FY) 1986. The authorizing legislation can be found in **Appendix A – Working Capital Fund Authorization Legislation**, to this D&S. The U.S. Department of Treasury established account symbol 14 X 4524 to account for the WCF operations. The 14 identifies the Department of Interior, X indicates that the account is a no-year or revolving fund, and 4524 represents Reclamation. This D&S applies to Reclamation's regions, to include the Denver and Washington offices, and Reclamation-wide WCF activities, which include Aircraft Operations, Drill Operations, Soil and Water Quality Laboratories, Materials Lab, Photogrammetry and Surveys, Construction Office, Underwater Inspection Team, Heavy and Mobile Equipment, Information Technology (IT), and others. **Appendix B – Glossary of Terms**, provides a glossary of terms and related reference documents. **Appendix C – Working Capital Fund Codes**, lists the fund codes and descriptions for specific WCF Activities.
3. **Definitions:** See **Appendix B**.

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4. Responsibilities.

A. **Chief Financial Officer (CFO) and the CFO's Council (CFOC).** The CFO approves Departmental and Reclamation-wide assessments and oversees the Reclamation CFOC. The CFOC charter posted on the MSO Intranet Web site delineates all of the CFOC's roles and responsibilities. The CFOC's major responsibilities associated with WCF in support of and advise to the CFO include:

- (1) overseeing WCF management, decision processes and cost recovery activities;
- (2) identifying issues to be addressed by the CFO and making business practice recommendations on how to improve Reclamation's WCF financial integrity;
- (3) reviewing and making recommendations to the CFO for the Departmental and Reclamation-wide assessment; and
- (4) performing special assignments for the CFO or Commissioner.

B. **Chief Information Officer (CIO) and CIO's Council (CIOC).** The CIO recommends WCF IT budgets and oversees the Reclamation CIOC. The CIOC charter posted on the MSO Intranet Web site delineates all of the CIOC's roles and responsibilities. The CIOC's major responsibilities associated with WCF in support of and advise to the CIO include:

- (1) coordinating the IT budget process;
- (2) presenting IT activity budgets to the CFOC for review and approval;
- (3) reviewing and making recommendations to the CFO for the Departmental and Reclamation-wide IT assessment; and
- (4) reviewing strategic plans for new IT systems and WCF IT activities.

C. **WCF Manager.** In July 1994, the Commissioner designated the Director, MSO, who is also the Deputy CFO, as the Reclamation-wide WCF Manager. The use of the term WCF Manager throughout the D&S refers to this individual. The WCF Manager's responsibilities include:

- (1) providing senior management direction for the Reclamation WCF;
- (2) overseeing the CFOC annual review process of WCF plans and budgets;
- (3) approving requests for loans involving Reclamation-wide WCF activities;
- (4) approving new WCF fund code requests;

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- (5) recommending budget submissions to the Washington Program and Budget Office [see Paragraph 4.I.(5)]; and
- (6) participating in Departmental and other high-level WCF hearings and meetings.

D. **Reclamation Senior Leadership.** Reclamation Senior Leadership refers to members of the Reclamation Leadership Team members whom have the primary responsibility to oversee and, when appropriate, to delegate WCF related management to the responsible official. Additional responsibilities include:

- (1) providing management direction for the WCF activities under their region or directorate;
- (2) overseeing the annual review process of WCF plans and budgets;
- (3) approving regional or directorate rates;
- (4) participating in Departmental and other high-level WCF hearings and meetings; and
- (5) maintaining positive overall unobligated balance for the region or directorate. WCF activities in deficit must have a plan to bring unobligated balances to positive. The plan must be approved in advance by WCF Manager.

E. **BAD Manager.** The BAD Manager reports directly to the WCF Manager. The BAD Manager's responsibilities include:

- (1) providing WCF support to the CFOC and WCF Manager;
- (2) coordinating and managing the IT Investment Fund (K66) budget process and the Denver Region Leave Account (K90);
- (3) developing and maintaining WCF procedures in collaboration with the regions and directorates;
- (4) overseeing WCF operations and compliance with financial and budget reporting activities; and
- (5) coordinating with senior management and preparing reports as appropriate.

F. **WCF Advisor.** The WCF Advisor reports to the BAD Manager and works at the WCF Reclamation-wide level. The WCF Advisor's responsibilities include:

- (1) monitoring WCF performance and conducting various analyses on a quarterly basis;

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- (2) retaining all WCF Activity analysis and monitoring documentation, as required by established internal control standards and retention requirements;
- (3) reviewing and monitoring key WCF balances to ensure acceptable levels;
- (4) requesting justifications from Regional/Directorate WCF Coordinator when balances are questionable and submitting justifications to management for review;
- (5) compiling fiscal year-end (FYE) unobligated balances projections;
- (6) advising the BAD Manager, Regional WCF Coordinators, Regional/Directorate WCF Managers, and others regarding WCF reviews, budgets, procedures, requirements, etc.;
- (7) maintaining a cumulative accounting of the WCF contributed capital balance;
- (8) requesting and reviewing regional WCF financial and budget submissions (including 8–Year Plans);
- (9) preparing consolidated WCF budget and financial reports and submitting reports and analyses to the BAD Manager;
- (10) receiving and reviewing requests for additions/deletions of WCF Activities;
- (11) facilitating Reclamation-wide WCF Activity loans for initial presentation to the WCF Manager; and
- (12) providing WCF training.

G. Regional/Directorate WCF Managers. Regional/Directorate WCF Managers' responsibilities include:

- (1) providing regional or directorate-level management, coordination, and reporting for all regional and directorate WCF activities;
- (2) coordinating WCF budget preparation and submissions;
- (3) reviewing WCF operations and oversight;
- (4) presenting and reporting on WCF balances; and
- (5) presenting and reporting on WCF rates and obtaining appropriate approvals.

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- H. **Regional/Directorate WCF Coordinators.** Regional/Directorate WCF Coordinators provide the coordination between regional or directorate offices, WCF Manager, WCF Activity Manager, and the WCF Advisor. Their responsibilities include:
- (1) reviewing rates and cost allocation procedures;
 - (2) recommending rate or procedural adjustments to the Regional/Directorate WCF Manager when reviews indicate changes might be appropriate;
 - (3) preparing or coordinating the preparation of budget and financial reports as required by Regional/Directorate WCF Manager, WCF Advisor, CFOC, CIOC, or WCF Manager;
 - (4) performing financial analyses to identify anomalies, reporting findings to Regional/Directorate WCF Manager or WCF Advisor, and developing corrective action recommendations;
 - (5) preparing and/or consolidating regional WCF 8-year budget plans and reviewing budgets for accuracy and reasonableness (level of involvement can vary between regions based upon regional delegation of duties);
 - (6) notifying the Regional/Directorate WCF Manager and the WCF Advisor, in writing, of projected FYE shortfalls;
 - (7) preparing and submitting requests for additions/deletions of WCF activities, WCF loans, and other correspondence to the Regional/Directorate WCF Managers or WCF Advisor;
 - (8) reviewing the regional WCF key balances (refer to Paragraph 5.B. below), which includes:
 - (a) providing explanations for variances per the WCF Advisor requests;
 - (b) coordinating analysis and reporting planned uses of unobligated balances;
and
 - (c) providing cost recovery corrective action plans to the WCF Advisor.
 - (9) maintaining documentation of reconciled contributed capital balances by WCF fund codes and in total for the region and/or directorate; and
 - (10) ensuring that all abnormal account balances are resolved prior to FYE close.

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- I. **WCF Activity Managers.** WCF Activity Managers are appointed by regional or directorate management for each WCF Activity. WCF Activity Managers' responsibilities include:
- (1) obtaining an understanding and working knowledge of WCF accounting procedures and requirements from or through the Regional/Directorate WCF Coordinator;
 - (2) managing daily operations for assigned WCF Activity and ensuring compliance with established WCF procedural directions;
 - (3) recommending WCF Activity rates, which includes:
 - (a) ensuring compliance with full cost recovery requirements;
 - (b) ensuring available financing for future replacements; and
 - (c) ensuring periodic rate evaluations and adjustments are made.
 - (4) discussing annual WCF rates with customers;
 - (5) preparing annual budget plans, including investment, expense, and revenue estimates;
 - (6) assisting in the development of fund utilization priorities and the management of unobligated WCF Activity balances to ensure the ability to finance current- and out-year planned needs;
 - (7) ensuring the WCF Activity maintains a positive (normal credit balance) unobligated balance that is reasonable and supports business event expense trends;
 - (8) reviewing WCF Activity operations, financial management, and financial reports on a quarterly basis to ensure financial integrity and to ensure the expenditures remain within budget limitations; and
 - (9) ensuring the WCF Activity is operating efficiently and effectively within the scope and objectives.

5. Major WCF Management Elements.

A. The WCF is a revolving fund. It must be managed such that:

- (1) full cost to the Government is recovered from beneficiaries; and

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- (2) unobligated balances are maintained at a level that is adequate to fund the delivery of goods and services to be provided, while ensuring that unobligated balances are reasonable to meet business event expense trends.

B. Reviewing and Managing Key Balances. As stated in the Principles of Federal Appropriation Law, Second Edition, Volume IV, 15-97, a revolving fund is an appropriation, and unless specifically exempted, funds in a revolving fund are subject to the various limitations and restrictions applicable to appropriated funds. The incurring of obligations in excess of apportioned budgetary resources in a revolving fund is a violation of the Anti-Deficiency Act, whether or not a fund has unapportioned budgetary resources or non-budgetary assets greater than the amount apportioned. There are two key balances used to track the financial health and status of the WCF:

- (1) **Unobligated Balance.** Unobligated balance, also referred to as carryover, is the cumulative amount of unobligated budget authority available. It is desirable to maintain an available unobligated balance at the fund code level within a region or directorate. However, it is acceptable for a region or directorate to have a fund code with an abnormal balance during the FY, but at no time may the overall region or directorate unobligated balance be abnormal. The automated accounting system, Federal Financial System, will not allow a WCF to close at FYE with an abnormal balance in the unobligated balance Activity. WCF Activity Managers must:
 - (a) Take appropriate actions for all WCF activities to resolve abnormal balances prior to FYE close.
 - (b) Perform quarterly WCF reviews, such as FYE unobligated balance projections, trend analysis, and budgeted versus actual comparisons that utilize the 8-year budget plans. Paragraph 5.I. below provides information specific to 8-year budget plans.
 - (c) Submit obligations that exceed \$1 million to the WCF Advisor for approval.
- (2) **Current-Year Results of Operations/Customer Equity.** Current-year results of operations/customer equity are the net difference between revenues, expenses, and gains/losses for the current year. The following requirements pertain to the review and availability of this key balance:
 - (a) manage each WCF Activity to ensure adequate equity balances are maintained to fund planned uses;
 - (b) manage each WCF Activity with the ultimate goal that customer equity shall break even over the long term;

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- (c) do not use one WCF Activity's equity balance to subsidize another Activity's operations, especially when the customer bases are different;
 - (d) perform quarterly WCF Activity reviews that include FYE unobligated balance projections, trend analysis, and budgeted versus actual comparisons that utilize the 8-year budget plans; and
 - (e) include customer equity and cumulative Unobligated balances in rate calculations.
- C. **Appropriations.** Reclamation typically does not submit a WCF appropriation request to Congress as long as the WCF, as a whole, has an acceptable unobligated balance. Requests for exceptions to this standard must be presented to the WCF Manager, who will submit them to the CFOC for review.
- D. **Loans.** Loans between WCF Activities can be used to provide financial assistance, but all loans must be repaid to the loaning Activity as specified in the loan agreement. Loans involve the transfer of unobligated and cash balances between Regional/Directorate WCF Activities. WCF loans will be handled as stated below.
- (1) **Intraregional/Intradirectorate Loans.** Regional/Directorate WCF Managers will approve intraregional/intradirectorate loans. Regions and directorates do not have authority to approve loans involving Reclamation-wide WCF Activities. Regions and directorates must comply with the loan documentation requirements in Paragraph 5.D.(4) below when initiating an intraregional/intradirectorate loan.
 - (2) **Interregional/Interdirectorate Loans.** Interregional/interdirectorate loans are those loan arrangements that involve WCF Activities managed by different regions or directorates, or Reclamation-wide WCF Activities. Regional/Directorate WCF Managers have the authority to approve interregional/interdirectorate loans for WCF Activities not involving Reclamation-wide Activities, and regional or directorate management, (i.e., Regional Finance Manager or higher, based upon regional procedural requirements) involved must approve and sign the loan and notify the WCF Advisor. Regions/directorates do not have authority to approve interregional/interdirectorate loans that involve Reclamation-wide WCF Activities. Regions/directorates must comply with the loan documentation requirements in Paragraph 5.D.(4) when initiating an interregional/interdirectorate loan.
 - (3) **WCF Reclamation-wide Activity Loans.** Only the WCF Manager has authority to approve loans that involve a Reclamation-wide WCF Activity. **Appendix C** identifies Reclamation-wide WCF Activities. Proposed loans that involve one or more Reclamation-wide WCF Activities must be submitted to the WCF Advisor. The proposal must include a loan document as described in Paragraph 5.D.(4) and

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supporting documentation. The WCF Advisor will review the proposal and documentation, make copies, and forward to the WCF Manager for a decision. No action can be taken to implement the loan or to incur costs in anticipation of approval until a written loan approval is received from the WCF Manager.

- (4) **Loan Documentation.** The loaning region or directorate is required to maintain the official loan document, supporting documentation, and repayment records. The Regional/Directorate WCF Coordinator(s) work with the WCF Advisor to coordinate system entries for fund transfer(s) and repayment transactions. The following documentation must be maintained by the Regional/Directorate WCF Managers for intraregional or interregional loans not involving Reclamation-wide funds and be provided to the WCF Manager and WCF Advisor prior to initiation for any loan involving Reclamation-wide funds:

- (a) the loan document, which includes:
- (i) loan purpose;
 - (ii) identification of all WCF Activities involved;
 - (iii) loan amount;
 - (iv) funding source;
 - (v) justification and verification that funding is available for the loan;
 - (vi) repayment plan and schedule; and
 - (vii) WCF Activity Managers' and regional or directorate management's (i.e., Regional Finance Officer, Regional Finance Manager or WCF Manager) signatures based upon approval requirements.
- (b) repayment history documentation for past loans;
- (c) a record of necessary actions to be taken to prevent repayment default; and
- (d) a written corrective action plan to be implemented in the event that an established repayment plan goes into default.

- E. **Advance Payments for WCF Services.** The Congressional legislation that established the WCF authorizes advance payment or payment upon performance. Reclamation advance payment standards are as follows:

- (1) Advance payment is required for work performed for non-Federal customers.

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- (2) Advance payment is not required but is strongly recommended when work is performed for other Federal entities whose payment history demonstrates a higher risk than usual.
 - (3) The WCF is a no-year, revolving fund, when Federal entities, or customers provide an advance, an obligation will be recorded against their funds, which have a specific period of availability. It is important for Reclamation to understand this period of availability, along with the underlying authority for these interagency advances, as it may affect whether the WCF Activity will have to return all or a portion of the unearned advance. There are two categories of authority for interagency advances.
 - (a) **Economy Act Agreements, Government Accountability Office (GAO) Appropriation Law, Volume II, Chapter 7.B.(i)(1).** These are the most common agreements or authority for interagency transactions. The work to be performed must be started or completed during the period of availability of the customer's funds. If the WCF Activity is unable to start or complete the work prior to the end of the period of availability of the customer funds, the WCF Activity Manager must return the unearned portion of the original advance and obtain a new advance from the customer's current, available funds.
 - (b) **Non-Economy Act Agreements, GAO Appropriation Law, Volume II, Chapter 7.B.(i)(2).** These agreements allow the work to begin and be completed beyond the period of availability of the customer's funds as long as the bona fide need rule of GAO Appropriation Law, Volume I, Chapter 5, is met. In these cases, the original customer advance does not have to be returned and is used to liquidate the obligation until the work is completed.
- F. **Development Activities.** When proper authority directs a Reclamation WCF Activity to terminate a previously approved project, acquisition, or software development, the costs already incurred are referred to as "Development Activities." Development Activities not advance funded or concurrently billed must be recovered from the initial beneficiaries. Any proposal to recover Development Activity costs from an alternate funding source must be submitted to the WCF Manager for approval.
- G. **Costs and Rate Setting.** All costs, direct and indirect, incurred to operate a WCF Activity must be charged to that WCF Activity. Rates must be established to recover all direct and indirect costs from the benefiting customer base (referred to as "Full Cost Recovery"). This requirement applies to all WCF Activities, including those that only incur nominal costs such as depreciation or amortization expenses. Failure to comply with Full Cost Recovery could put Reclamation's WCF at risk of an Anti-Deficiency Act violation.

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- H. **Billing.** Each WCF Activity must bill their customers timely to ensure sufficient unobligated balances are available to meet future operating needs and cash collected to cover operational and capital asset expenses and purchases.
- I. **Budget Process: 8-Year Plans.**
- (1) The Office of Management and Budget (OMB) regulations require that the annual WCF budget be included in Reclamation's annual budget submissions. In order to streamline the WCF budget reporting process, the 8-year plan encompasses both the Operating budget, presenting the annual operating costs of each WCF Activity, including depreciation and amortization; and the Capital Investments, which identifies financial resources planned for the acquisition of capital assets and/or software development. The 8-year plan provides actual figures from two prior FYs, combines actual-to-date, and projected figures for the current FY, and forecasts figures for five out-years.
 - (2) The WCF Advisor transmits an annual budget call with updated worksheets to the WCF Coordinators in June. The 8-year plans are due back to the WCF Advisor in July. Electronic submissions of updated 8-year plan worksheets are due back to the WCF Advisor in July to allow for consolidation of Reclamation-wide submissions to the Department in August. The 8-year plan worksheet includes the following components:
 - (a) **Cost of Operations.** The Cost of Operations section summarizes expenses based upon the appropriate standard general ledger (SGL) account balances from the trial balance. There is a worksheet of the Budget Object Codes that are associated to and support the SGL 610A entry. Provide footnotes for balances as noted on the updated worksheets.
 - (b) **Planned Revenue.** Planned Revenue shows actual revenues collected and projects future operating revenues. It also includes anticipated revenues from other sources on a separate line (SGL 590E) and provides a footnote explaining the source. Revenue is a key figure in the budget submission and is reported to OMB.
 - (c) **Cumulative Results of Operations.** Cumulative Results of Operations balances provide a summary review of current and anticipated position for management analysis.
 - (d) **Planned Capital Investments.** Planned Capital Investments summarize anticipated capital purchases. There is a worksheet of the Budget Object Codes that are associated to and support the 610Z entry. Totals are reported in detail by year on the Capital Investment Plan worksheet.

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- (e) **Unobligated Balance.** The Unobligated Balance is the calculation of revenue over (under) obligations. Expenses not directly related to the cost of operations (i.e., depreciation, other unfunded expenses and losses) are factored out of anticipated capital investments to arrive at the anticipated unobligated balance. Footnotes are required for amounts reported on the “Other Adjustments” line. The Unobligated Balance is a key figure in the budget submission and is reported to OMB.
- (3) Two additional worksheets are included in the 8-year plan spreadsheet. Each worksheet tracks specific information about the following:
 - (a) **Contributed Capital Tracking.** Contributed Capital Tracking provides evidence of the status of contributed capital. Regional management must verify this component prior to submission. Anticipated changes to contributed capital, such as new appropriations or transfers of existing appropriations, must be included in the Annual Appropriation column. Include the book value of transfers in or out of capitalized equipment funded by contributed capital.
 - (b) **Capital Investment Plans.** A Capital Investment Plan must be prepared for each out-year. These individual annual plans provide information regarding specific anticipated capitalized purchases. The total by FY from this worksheet must equal the amount reported by FY on the **Planned Capital Investments** line of the 8-year plan.
- (4) After FYE, the WCF Advisor will send out a request for the regions and directorates to review the previously submitted Revenue and FYE Unobligated Balance figures for the first two program years. If there have been significant changes to the original amounts, the regions and directorates need to identify the changes in total by program year and activity. These updates are due back in November.
- (5) The WCF Advisor consolidates the information from all of the WCF Activities and submits a report on significant adjustments or changes to Reclamation’s Washington Program and Budget Office, if warranted.

6. Appendices.

- A. **Appendix A.** *Working Capital Fund Authorizing Legislation.*
- B. **Appendix B.** *Working Capital Fund Glossary of Terms.*
- C. **Appendix C.** *Working Capital Fund Codes.*

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7. Related References.

- A. **Appropriation Law.** *Revolving Funds.*
- B. **OMB Circular A–11.** *Preparing and Submitting Budget Estimates.*
 - (1) Part 2 – *Preparation and Submission of Budget Estimates.*
 - (2) Part 4, Section 145 – *Requirements for Reporting Anti-deficiency Act Violations.*
- C. **OMB Circular A–25.** *User Charges.*
- D. **Federal Accounting Standards Advisory Board, Statements of Federal Financial Accounting Standards – No 4.** *Managerial Cost Accounting Concepts and Standards for the Federal Government.*
- E. **Interior Property Management Directives – 410.** Subpart 114.60.1 – *Personal Property Administration.*
- F. **RM FIN 04–20.** *Standard General Ledger (SGL) Chart of Accounts.*
- G. **RM FIN 02–10–20(A).** *Appropriations—Treasury Symbols and Fund Codes.*
- H. **Bureau of Reclamation Standard Processes of Costing Business Practices.**