



Defense Finance and Accounting Service

DFAS 7900.4-M

Financial Management Systems Requirements Manual Volume 20, Working Capital Funds

September 2011

Financial Management Center of Excellence

SUBJECT: Description of Requirement Changes

The complete listing and description of the requirements changes, deletions, and additions by chapters and systems requirements can be found below.

All changes in this volume are denoted by bold blue font.

VOLUME 20 - Working Capital Funds		
Req ID	Change Type	Reason for Change
20.01.001	A	Added – New requirement
20.01.002	A	Added – New requirement
20.01.003	A	Added – New requirement
20.01.004	A	Added – New requirement
20.01.005	A	Added – New requirement
20.01.006	A	Added – New requirement
20.01.007	A	Added – New requirement

Chart Legend:

A - Added FFMRs

These are new requirements due to revised and updated source document

C - Changed FFMRs

These requirements were contained in previous versions, but were changed for various reasons, as described in the Requirement Changes Appendix.

D - Deleted FFMRs

These requirements were removed from this version because they were no longer required by the source document or were redundant with another FFMR

Note: If there is no code in the requirements value added or change type columns for an FFMR, it is by definition, unchanged from previous versions.



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Financial Management Systems Requirements Manual
Volume 20, Working Capital Funds

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SUBJECT: Financial Management Systems Requirements
Volume 20, Working Capital Funds

1. PURPOSE

A. This Volume presents the financial management system design and implementation requirements for Department of Defense (DoD) military components' and agencies' Working Capital Funds financial management systems. This Volume is part of the publication which reissues Defense Finance and Accounting Service (DFAS) 7900.4-G, "Federal Requirements for Financial Management Systems," commonly known as the "Blue Book," as a multivolume Manual titled DFAS 7900.4-M. The Blue Book is a comprehensive compilation of the Federal Financial Management Improvement Act (FFMIA) and DoD system requirements.

b. The Blue Book serves as a "roadmap" to Federal and DoD financial management system requirements by major financial management functional areas and their authoritative sources, and will assist managers who are responsible for financial management systems in planning, designing, enhancing, modifying, and implementing financial management systems. Managers are ultimately responsible for being knowledgeable of and complying with the various authoritative sources of financial requirements (both legislative and regulatory). The Blue Book guidance and procedures are contained in several volumes located on the DFAS Reference Library at <http://www.dfas.mil/dfasffmia/bluebook.html>. Appendix 4 of the Blue Book includes links to where authoritative sources may be accessed.

c. Adherence to these requirements will enable the DoD military components and agencies to meet Federal mandates and will help facilitate DFAS to progress toward reaching its strategic goal of providing services faster, better, and cheaper. The objective of this Volume is to promulgate the financial management systems requirements for system and program managers' use in developing Working Capital functionality.

2. APPLICABILITY:

Requirements contained within this document are applicable to accounting and finance systems operated and maintained by DoD.

3. POLICY:

a. This Volume provides a synopsis of Federal and DoD financial system requirements, mandated by policy, for Working Capital Funds financial management systems. It is a comprehensive compilation of financial management systems requirements mandated by Public Law 104-208, “Federal Financial Management Improvement Act of 1996” September 30, 1996.

b. This Volume incorporates revisions to existing financial system requirements from the authoritative sources **via highlighting the appropriate text in bolded blue font**. See Appendix 2 of DFAS 7900.4-M for a complete listing and description of the financial system requirements changes, deletions, and additions, listed by major financial system requirements functional area.

c. Users of this Volume may forward questions, comments and suggested changes to:

Defense Finance and Accounting Service
Financial Management Center of Excellence
Attn: Integration and Requirements Branch
8899 East 56th Street
Indianapolis, IN 46249

E-mail questions, comments, and suggestions to: ffmiarequirements@dfas.mil

4. ORGANIZATIONAL RESPONSIBILITIES FOR FFMIA COMPLIANCE

a. Within DoD, various organizations operate financial management systems. In an overall scheme, many of these systems should be linked in an integrated network. However, these systems frequently “stand-alone” or “stovepipe” systems that are not logically integrated with other related systems. Critical financial data, instead of being transferred electronically between systems through well-controlled interfaces, are often transferred manually by means of journal vouchers, hardcopy spreadsheets, “data calls,” or other inefficient and error-prone methods.

b. DFAS functions as the primary Departmental entity responsible for producing a Trial Balance from the ERP general ledger and preparing the financial reports for the DoD. Much of the data used by DFAS to carry out the DoD’s accounting and financial reporting functions—such as property and inventory values—originate in non-DFAS organizations or systems. Therefore, other organizations, primarily the military services and Defense agencies, should be held responsible for the compliance of their financial management systems with all applicable Federal requirements. Appendix 5 of DFAS 7900.4-M contains Federal and DoD guidance on FFMIA compliance, evaluation, and reporting.

5. PROCEDURES:

Procedures are presented in each Volume of this Manual as appropriate.

6. RELEASABILITY:

UNLIMITED. This Volume as part of DFAS 7900.4-M is approved for public release and may be accessed at <http://www.dfas.mil/dfasffmia/bluebook.html>

7. EFFECTIVE DATE: This Volume is effective immediately.

Steve Bonta
Director, Financial Management
Center of Excellence

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WORKING CAPITAL FUNDS INTRODUCTION

Working Capital Funds are *revolving* funds that exist to finance the operations of government business units that are managed like a commercial business. The business units in a working capital fund sell goods or services to “customers” with the intent of recovering the total cost incurred in providing those goods and services. The business unit uses the income from the sales to buy or replace inventory, operate the business unit and otherwise finance the production of goods and services. This cycle continues throughout the life of the working capital fund. A working capital fund business unit, unlike a commercial business, is not profit-oriented and therefore only tries to break even on the sale of goods and services.

The basic tenet of the revolving fund structure is to create a customer-provider relationship between the military operating units and support organizations. This relationship is designed to make managers of support organizations funded through the revolving fund and decision-makers at all levels more concerned with the costs of goods and services. Requiring the operating forces to pay for support they receive, provides increased assurance that services supplied and paid for are actually needed.

The Department of Defense Working Capital Funds (DWCF) are revolving funds financial mechanisms that involves approximately 200,000 civilian and military personnel providing more than \$85 billion in goods and services. About 20% of DoD’s direct appropriation dollars flow through the DWCF on an annual basis. The activities financed in the DWCF form the Department’s main organic logistics capability.

There are five major Working Capital Funds within DoD:

- Army Working Capital Fund
- Navy Working Capital Fund
- Air Force Working Capital Fund
- Defense-Wide Working Capital Fund
- Defense Commissary Agency Working Capital Fund (DeCA)

Each of the five major funds operates on a break-even basis over time; that is, it neither makes a profit nor incurs a loss. However, should a profit or a loss occur, the business area would either lower its prices in a subsequent fiscal year, or raise prices in order to realize sufficient funds to cover costs and the realized loss.

Each revolving fund activity is provided with annual Operating and Capital Budgets. *The Operating Budget* includes all direct, indirect, and general & administrative costs, including expenses for depreciation of assets. *The Capital Budget* includes funding of investment items for industrial equipment, construction, telecommunications equipment, IT infrastructure, and software.

WORKING CAPITAL FUNDS REQUIREMENTS

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Chapter	Req Id	Value Added?	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Working Capital Funds	20.01.001		A	Activities will calculate and accumulate depreciation expenses using the straight-line method. The amount to be depreciated will be decreased by its residual value only if the residual value exceeds 10 percent of the cost of the asset.		DoDFMR Vol 2B, Jun 10, Ch 9, 0901			
Working Capital Funds	20.01.002		A	Software may be depreciated over a period of five or ten years depending on its nature. The Component may also request a waiver and propose an alternative depreciation period. The determining factor should be the actual estimated useful life of the software.		DoDFMR Vol 2B, Jun 10, Ch 9, 0901			

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Chapter	Req Id	Value Added?	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Working Capital Funds	20.01.003		A	DWCF financial management systems must ensure that transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are reported in accordance with Statement of Federal Financial Accounting Standards.		DoDFMR Vol 11B, Chapter 1, Sub para 010401A			
Working Capital Funds	20.01.004		A	DWCF financial management systems must ensure that assets are properly safeguarded to deter fraud, waste and abuse.		DoDFMR Vol 11B, Chapter1, Sub para 010401B			
Working Capital Funds	20.01.005		A	DWCF financial management systems must ensure that performance measurement information is adequately supported.		DoDFMR Vol 11B, Chapter 1, Sub para 010401C			

WORKING CAPITAL FUNDS REQUIREMENTS

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Chapter	Req Id	Value Added?	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Working Capital Funds	20.01.006		A	DWCF accounting systems shall have the capability to account for the status of budgetary resources on a continuous basis.		DoDFMR Vol 11B, Chapter 1, Sub para 010402			
Working Capital Funds	20.01.007		A	Budgetary controls shall be designed to prevent incurring of obligations in excess of budgetary resources.		DoDFMR Vol 11B, Chapter 1, Sub para 010402			

ACRONYMS

DFAS	Defense Finance and Accounting Service
DoD	Department of Defense
DoDFMR	DoD Financial Management Regulation
FFMIA	Federal Financial Management Improvement Act