

Reclamation Manual

Directives and Standards



United States Department of the Interior
BUREAU OF RECLAMATION
Washington, DC 20240
JAN 5 2007



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MEMORANDUM

To: Deputy Commissioner - Policy, Administration, and Budget
Regional Directors
Attention: PN-1000, MP-100, LC-1000, UC-100, GP-1000

From: Robert W. Johnson
Commissioner

Subject: Managing for Excellence – Implementation of Team 25 Recommendations

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I have approved Team 25's recommendations for improving the process for reporting project financial status to our managers, customers, and stakeholders; and you are hereby directed to implement the recommendations contained in the attached document.

The Deputy Commissioner - Policy, Administration, and Budget (DC-PAB) should implement Recommendations 1, 2, 3, 4, and 6 by the dates indicated in the attachment.

Regional Directors should implement Recommendation 5 effective immediately, with the exception of those actions that will require new training or guidance on new reports from the DC-PAB. Those actions, however, should be completed within a reasonable time after the new training and reporting guidance is made available by the DC-PAB.

Attachment

- cc: 91-00000 (Collier), 91-10000 (Rac), 92-00000 (Burman), 94-00000 (Todd), 94-30000 (Wolf), 96-00000 (Acting), 96-40000 (Quint), 94-00001 (Escalante), 84-20000 (Acting), 84-27100 (Feuerstein), 84-27000 (Harrison), 84-40000 (Achterberg), 84-50000 (Gonzales, Simons, Stock), 86-60000 (Bach), PN-1800 (Marshall), MP-3000 (Thompson), LC-7000 (Stockinger), UC-300 (Wiser, Halverson), GP-3000 (Macartney) (w/att to each)



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MANAGING FOR EXCELLENCE FINAL RECOMMENDATIONS – TEAM 25

Improve the process for reporting project financial status to managers, customers, and stakeholders.

Executive Sponsor: Kirk Rodgers

Team Members: Efraim Escalante, Team Leader
Mary Halverson, UC Region
Kathy Marshall, PN Region
Karl Stock, OPPS
Bruce Stockinger, LC Region
Katherine Thompson, MP Region

Action Item Statement from the Managing for Excellence Action Plan: Establish and implement a standard, agency-wide process for evaluating and communicating the current financial circumstances of Reclamation infrastructure, including cost invested, repayment status, O&M cost allocations, design life, facility condition, etc.

Scope Statement from the Managing for Excellence Project Management Plan: In order to better manage existing infrastructure, it is critical that Reclamation add to its knowledge an understanding of the business case for those facilities: the construction investment in the facility, the cost allocation, the repayment status, the O&M allocation, the annual commitment of Reclamation funding to O&M, the design life, the facility condition, and any known or planned significant future investments for Safety of Dams work or major rehabilitation needs. This Bureau-wide, project-by-project information will be invaluable for future decision making regarding what actions relating to those facilities make sense, and who should do them. In addition, the transparency and value of construction and O&M costs is of critical importance for Reclamation and its customers. Opportunities have been created for meetings with customers, and input and information is being provided in a clearer and more understandable way. This improvement is a good start but needs expanded and more personalized implementation.

Approach and Methodology: The Team's approach was to first acquaint itself with our managers' and customers' level of knowledge and satisfaction with Reclamation's current reporting processes and to solicit input for suggested improvements. This was accomplished by (1) reviewing the various financial reports and processes currently used throughout Reclamation to report information to managers and customers, (2) developing a PowerPoint presentation which included samples of current and new prototype reports, and (3) using this presentation to interview a large percentage of Reclamation's area managers and an extensive, diverse group of water and power customers. Information was also gathered at Managing for Excellence public meetings. Based on the information gathered and insights gained from these efforts, the Team developed the recommendations presented in this document.

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Deliverables:

- Report of Project Investment and Repayment
- Report of Annual O&M Costs and Allocation of Costs
- Project Business Case for Future Investment
- Orientation/Training Module for Reclamation Managers (Area and Field Office managers) and Customers
- Policy Guidance

Recommendations: The Commissioner should:

1. Direct the Deputy Commissioner – Policy, Administration, and Budget to establish a Reclamation-wide team consisting of finance and repayment specialists to finalize the requirements and format of a project “Statement of Project Construction Cost and Repayment” (SPCCR) report as recommended in the Team 25 report. The SPCCR should be accompanied by graphic representations of the SPCCR information in the same format used by the Upper Colorado Region and as displayed in Team 25’s report. These requirements should be completed and codified in Reclamation’s Directives and Standards by June 30, 2007, for use in the preparation of the project SPCCR’s for FY 2007.
2. Direct the Deputy Commissioner – Policy, Administration, and Budget to complete the following actions: (1) preparation and issuance of guidance and direction for the initial development of the new “Facility Condition & Investment Summary” report recommended in the Team 25 report, (2) implementation of the new report on a pilot basis at selected projects by April 2007 to determine its value to Reclamation and its customers, (3) an assessment of the results of the pilot, and (4) development of a recommendation on the future use of this report on a Reclamation-wide basis. Regional Offices should be consulted and invited to participate.
3. Direct the Deputy Commissioner – Policy, Administration and Budget to complete the following actions by May 31, 2007: (1) a review and improvement of the process for accounting and reporting project incidental revenues that is consistent throughout Reclamation’s financial reporting systems and transparent to customers, and (2) the development of a new “Incidental Revenue Report” as recommended in the Team 25 report. Regional Offices should be consulted and invited to participate.
4. Direct the Deputy Commissioner – Policy, Administration, and Budget to establish a Reclamation-wide team to develop the following two courses: “Reclamation Project Financial Management for Managers” and “Reclamation Project Financial Management for Customers.” The team should include representatives from the Finance, Repayment, and Public Affairs communities in Reclamation who have a solid understanding of Reclamation’s financial and repayment program, as well as customer needs. The courses should be completed by March 2007 and should include the elements recommended in the Team 25 report. The development team should

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recommend an appropriate office to deliver, maintain, and update these courses as needed.

5. Direct each Regional Director, or Area Managers as appropriate, to:
 - Complete a FY 2006 “Statement of Project Construction Cost and Repayment” report for each project by no later than September 30, 2007. Beginning with the FY 2007 report, these annual reports should be completed no later than 6 months after the completion of Reclamation’s annual financial statements. Graphic representations of the SPCCR data should accompany the report.
 - Complete a “Facility Condition & Investment Summary” report for each project facility on an annual basis if, after a pilot implementation, it is determined to be a viable report for all projects (see Recommendation 2 above). The report should be prepared in time to be used with customers in program planning and budget formulation for the current and future fiscal years.
 - Complete an annual “Incidental Revenues Report” for each project following the guidance and directions resulting from Recommendation #3 above.
 - Continue to provide project customers with O&M budget and cost reports as required by Reclamation Manual Policy WTR P05, with a special emphasis on reports that:
 - report information at a mutually agreed level of detail, whether that be by activity, object code, combination of activity and object code, or other level of detail,
 - report costs to the same level of detail as the budget,
 - identify the share of cost to be reimbursed (advanced) by the customer,
 - cover the current fiscal year budget plus the next two budget years,
 - include narrative explanations of significant variances of actual costs to current year budgets, and any significant variance between the current and future budget years,
 - are available on a mutually agreed schedule.
 - Continue to meet with each project customer as required by Reclamation Manual Policy WTR P05, and as amended by this document, to:
 - review and discuss the status of the O&M budget and costs for the current year,
 - explain costs (what they are, where they came from, etc.)
 - explain any variances from budgeted or estimated amounts,
 - review and explain the information in SPCCR and the customer’s “construction repayment obligation”, including any increases/decreases for the year,

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- review and explain the information in the Incidental Revenues Report, and the application of any revenue credits against any amounts owed to Reclamation by the customer,
- review and explain the costs being considered in development of power and water rates for the upcoming year,
- review and explain the information in the “Facility Condition & Investment Summary” and any anticipated future O&M repair costs that the customer will share in,
- seek customer input for the formulation of the O&M budget well in advance of the submittal to the BRC,
- review and explain the O&M bill for the upcoming year,
- and to identify any specific reporting needs of the customer for the upcoming year.

Meetings with the customer should be held a minimum of once or twice per year or more often as mutually agreed.


- Require each Area Manager, Deputy Area Manager, and appropriate staff (those who develop or communicate financial information for customers) to have basic “Reclamation Project Financial Management for Managers” training within the first year of appointment to their position and once every five years thereafter.
- Provide each Area Office with the necessary financial management training **specific to its project(s)**. This training should address the specific reimbursable and non-reimbursable investment costs of the project(s), how these costs are identified and allocated to the various purposes of the project, how the various costs are recovered or repaid, how O&M costs are accounted for, allocated, and recovered, etc.
- Offer and provide each customer that has an outstanding repayment obligation to Reclamation, or that shares in the O&M costs of a project, a basic “Reclamation Project Financial Management for Customers” informational course at least once every 3 years or more often as requested by the customer and agreed to by the Area Office.
- Provide financial reports to customers via Adobe Acrobat Portable Document Format (PDF) or similar electronic format when requested by those customers.
- Explore alternative means for reporting financial information electronically to customers when requested by those customers. Coordinate these efforts with the office of the the Deputy Commissioner – Policy, Administration, and Budget.

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6. Direct the Deputy Director – Policy, Administration, and Budget to formalize the above recommendations in appropriate revisions or additions to Policy and D&S in the Reclamation Manual Series WTR and FIN.

Submitted by:



Efraim Escalante, Team Lead 1/3/07
Date



Kirk Rodgers, Executive Sponsor 1/3/07
Date



Larry Todd, Deputy Commissioner, PAB 1/5/07
Date