

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 Directive and Standard (D&S) is the clarification of current accounting responsibilities and requirements regarding the oversight and management of WCF activities and the assurance the accounting responsibilities are consistent with generally accepted accounting principles.
Authority:	The Energy and Water Development Appropriations Act of 1986, (November 1, 1985; Pub. L. 99–141, Title II, Section 205; 99 Stat. 571; 43 USC 1472) and acts amendatory of and supplemental thereto
Approving Official:	Director, Management Services Office (MSO)
Contact:	Business Analysis Division (BAD), Compliance and Audit Team (CAT) (84-27410)

1. Introduction.

- A. The Energy and Water Development Appropriations Act of 1986 established Reclamation's WCF in fiscal year (FY) 1986. Appendix A, *Working Capital Fund Authorizing Legislation*, presents the verbiage of the authorizing legislation. The U.S. Department of the Treasury established account symbol 14X4524 to account for WCF operations.
 - B. The WCF operates within its own resources to provide goods and services on a reimbursable basis to Reclamation activities and other Federal and non-Federal entities under the authority of congressional legislation. Reclamation must distribute the costs of delivering WCF goods and services equitably between the customers receiving the benefits to ensure full cost recovery. Upon receipt of the Reclamation WCF Manager's approval, Reclamation's regions may establish, maintain, and operate WCF activities.
2. **Applicability.** This D&S applies to all Reclamation personnel involved with the monitoring, recording and reporting of WCF activities.
 3. **Definitions.** See Appendix B.
 4. **Responsibilities.**
 - A. **Chief Financial Officer (CFO).** The CFO is responsible for approving all WCF activity budgets.

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- B. **WCF Manager.** In July 1994, the Commissioner designated the Director, MSO, who is also the Deputy CFO, as the Reclamation-wide WCF Manager. The WCF Manager is responsible for:
- (1) providing senior management leadership, oversight, and requirements for the Reclamation WCF;
 - (2) overseeing the CFO's Council (CFOC) annual review process of WCF plans and budgets;
 - (3) approving increases to WCF budget requests;
 - (4) approving requests for Fund Balance with Treasury (FBWT) transfers involving WCF activities;
 - (5) approving regional plans to correct abnormal unobligated balances;
 - (6) approving the establishment of new organizational WCF activities along with the BAD Manager;
 - (7) managing the Departmental assessments and the bureau-wide leave account;
 - (8) approving the bureau-wide indirect cost rates;
 - (9) submitting the WCF budget figures and initiating appropriation requests, as necessary, to the CFOC for review and subsequent submission to the Program and Budget Office for inclusion in the *United States Department of the Interior Budget Justifications and Performance Information* or, more commonly known as, the Green Book;
 - (10) representing Reclamation at Departmental and other high-level WCF hearings and meetings; and
 - (11) approving chartered review board comprised of primary external customers who receive services established by Reclamation Leadership Team (RLT) members to review rates.
- C. **CFO's Council or CFOC.** The CFOC charter, available on the CFOC intranet, delineates all of the CFOC's roles and responsibilities. The chairperson of the CFOC is the WCF Manager. The CFOC is responsible for:
- (1) sharing information about WCF management, decision processes, and cost recovery activities;
 - (2) identifying issues requiring the attention of the CFO and making business practice recommendations on how to improve Reclamation's WCF financial integrity;

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- (3) reviewing and making recommendations to the CFO for the Departmental and Reclamation-wide assessments;
- (4) performing special assignments for the CFO or Commissioner;
- (5) reviewing and recommending the approval or disapproval to the CFO of WCF activity budgets; and
- (6) recommending to the CFO the establishment of new Reclamation-wide WCF activities.

D. **Assessment Rate Group (ARG).** The ARG is a sub-group to the CFOC that was established to provide advice and support to MSO for the Bureau-wide indirect costs (BIC), Interior indirect costs (IIC), and leave rates. The ARG charter, available on the ARG intranet, delineates all of the ARG's roles and responsibilities. The ARG is responsible for:

- (1) identifying issues and making recommendations to the WCF Manger on business practices related to the BIC, IIC, and leave rates;
- (2) supporting internal control practices within Reclamation with regards to the BIC, IIC, and leave rates;
- (3) ensuring internal controls, rate setting methodologies, and unobligated balances for the BIC, IIC, and leave rates are managed in compliance with applicable Reclamation WCF guidance;
- (4) recommending BIC, IIC, and leave rates for approval, based on the budget approved by the CFOC;
- (5) providing oversight of the monitoring of the BIC, IIC, and leave rates; and
- (6) developing consistent rate messaging to customers regarding the BIC, IIC, and leave rates.

E. **Associate Chief Information Officer (ACIO) (Director of the Information Resources Office).** The ACIO is responsible for:

- (1) certifying that he or she approves all information technology (IT) budget requests for Reclamation, regardless of funding source, through the Department's required Joint Certification Statement, in coordination with the Bureau Budget Officer, Deputy CFO, and the CFO;
- (2) reviewing input provided by the Information Resource Business Advisory Council (IRBAC); and
- (3) providing recommendations to the CFOC on WCF IT budgets.

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- F. **Information Resource Business Advisory Council or IRBAC.** The IRBAC recommends WCF IT budgets to the ACIO. The IRBAC charter delineates all of the IRBAC's roles and responsibilities. In support of and as advisor to the ACIO, the IRBAC is responsible for:
- (1) reviewing WCF IT budgets by region and investment;
 - (2) providing recommendations to the ACIO on the WCF IT budgets;
 - (3) reviewing and making recommendations to the ACIO for the Departmental and Reclamation-wide IT assessments; and
 - (4) reviewing strategic plans for new IT systems and WCF IT activities.
- G. **Reclamation Leadership Team or RLT.** The RLT has the primary responsibility to oversee and, when appropriate, to assign WCF related management to the responsible official. Within their region or directorate, the RLT is also responsible for:
- (1) Providing management direction for regional WCF activities.
 - (2) Overseeing the annual review process of regional WCF plans and budgets.
 - (3) Approving regional or directorate rates. The RLT member may assign this to their regional WCF manager.
 - (4) Seeking approval of new WCF functional areas.
 - (5) Maintaining a normal unobligated balance.
 - (6) Establishing a chartered review board comprised of primary external customers who receive their services, and submitting that board's charter to Reclamation's WCF Manager for approval.
- H. **BAD Manager.** The BAD Manager, who reports directly to the WCF Manager, is responsible for:
- (1) providing WCF support to the CFOC and WCF Manager;
 - (2) developing and maintaining WCF procedures and internal controls in consultation with the regions and directorates;
 - (3) overseeing WCF operations and compliance with financial and budget reporting activities;
 - (4) coordinating with senior management and preparing reports as appropriate;

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- (5) approving the establishment of a new organizational WCF activity along with the WCF Manager; and
 - (6) providing a formal written response regarding the approval/disapproval of a new organizational WCF activity.
- I. **WCF Advisor.** The WCF Advisor reports to the BAD Manager and works at the WCF Reclamation-wide level. The WCF Advisor manages the CAT WCF team. The WCF Advisor is responsible for:
- (1) monitoring the work of the Reclamation-wide WCF Coordinator (RWCFC); and
 - (2) working with the BAD Manager and the WCF Manager to resolve WCF issues.
- J. **Reclamation-wide WCF Coordinator or RWCFC.** The RWCFC, who reports to the WCF Advisor, is responsible for:
- (1) monitoring WCF performance and conducting various analyses on an ongoing basis;
 - (2) preparing and analyzing the Surplus Shortage Report, and communicating and working with the regional/directorate WCF coordinators to take action based on the analysis;
 - (3) reviewing and monitoring key WCF balances to ensure acceptable levels;
 - (4) requesting justifications from regional/directorate WCF coordinators when balances are above an established threshold and submitting justifications to the WCF Advisor, BAD Manager, and/or WCF Manager for review;
 - (5) retaining all WCF activity analysis and monitoring documentation, in accordance with established internal control standards and retention requirements;
 - (6) compiling fiscal year-end (FYE) unobligated balances projections;
 - (7) advising the WCF Advisor, BAD Manager, regional/directorate WCF coordinators, regional WCF managers, and others regarding WCF matters including WCF reviews, budgets, procedures, and requirements;
 - (8) requesting and reviewing regional WCF financial and budget submissions (including 6-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;

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- (11) facilitating a WCF activity's FBWT transfer for presentation to the BAD Manager;
- (12) facilitating WCF activity's budget increase requests for presentation to the WCF Manager; and
- (13) providing WCF training for regional/directorate WCF coordinators and others with WCF responsibilities at least once every 3 years.

K. Regional WCF Managers. Regional WCF managers are responsible for:

- (1) providing regional management;
- (2) developing and maintaining regional WCF procedures within the region;
- (3) overseeing regional WCF operations and compliance with financial and budget reporting activities; and
- (4) coordinating with senior management and preparing regional reports as appropriate.

L. Regional/Directorate WCF Coordinators. Regional/directorate WCF coordinators are responsible for:

- (1) providing coordination between regional or directorate offices, WCF Manager, WCF activity managers, WCF Advisor, and RWCFC;
- (2) reviewing rates and cost allocation procedures;
- (3) recommending rate or procedural adjustments to the regional WCF manager when reviews indicate changes might be appropriate;
- (4) preparing or coordinating the preparation of budget and financial reports as the regional WCF manager, WCF Advisor, CFO, ACIO, or WCF Manager require;
- (5) performing financial analyses to identify anomalies, reporting findings to regional WCF manager or WCF Advisor, and developing corrective action recommendations;
- (6) preparing and/or consolidating regional WCF 6-year budget plans and reviewing budgets for accuracy and reasonableness (level of involvement can vary between regions based upon regional assignment of duties);
- (7) notifying the regional WCF manager and the WCF Advisor, in writing, of projected FYE shortfalls;

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- (8) preparing and submitting requests for additions/deletions of WCF activities, WCF FBWT budget increases, and other correspondence to the regional WCF managers or WCF Advisor;
 - (9) reviewing the Surplus Shortage Report for WCF key balances (refer to Paragraph 5.B. below), which includes:
 - (a) providing explanations for variances per the WCF Advisor and RWCFC requests;
 - (b) coordinating analysis and reporting planned uses of unobligated balances; and
 - (c) providing cost recovery corrective action plans to the WCF Advisor and the RWCFC.
 - (10) ensuring the WCF does not have abnormal account balances prior to FYE close;
 - (11) responding to requests from the RWCFC; and
 - (12) providing training to the WCF Activity Managers, as necessary.
- M. **WCF Activity Managers.** Regional or directorate management appoints WCF activity managers for each WCF activity, and they are responsible for:
- (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 his or her WCF activity and ensuring compliance with established WCF procedural directions;
 - (3) recommending WCF activity rates, which include:
 - (a) ensuring compliance with full cost recovery requirements;
 - (b) ensuring available financing for future replacements;
 - (c) ensuring the WCF activity maintains a positive (normal credit balance) unobligated balance;
 - (d) ensuring the unobligated balance is not in excess of the limits Congress set forth in the authorizing legislation; and
 - (e) ensuring the activity receives periodic rate evaluations and adjustments.
 - (4) discussing annual WCF rates with customers;

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- (5) preparing annual budget plans, including investment, obligations, and revenue estimates (includes 6-year plans);
- (6) assisting in the development of fund use priorities and the management of unobligated WCF activity balances to ensure the ability to finance current and out-year planned needs;
- (7) 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
- (8) 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.** Reclamation must manage its WCF such that:

- (1) Its activities recover full cost from their beneficiaries.
- (2) It maintains unobligated balances at a level adequate to fund the delivery of goods and services, while ensuring they do not exceed limits Congress set forth in the authorizing legislation.

B. **Reviewing and Managing Key Balances.** As the *Principles of Federal Appropriation Law*, Second Edition, Volume IV, 15-97 states, 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. Two key balances track the financial health and status of the WCF:

- (1) **Unobligated Balance.** Unobligated balance, or carryover, is the cumulative amount of unobligated budget authority available. Maintaining an unobligated balance necessary for current-year obligations and planned capital and high dollar non-capital investments at the functional area level within a region or directorate is desirable. A region or directorate may have a functional area with an abnormal balance (debit) during the FY, but at no time may the overall region or directorate unobligated balance be abnormal. Reclamation's accounting system of record, Financial and Business Management System (FBMS), will not allow a functional area to close at FYE with an abnormal balance in the unobligated balance activity. The following requirements pertain to the review and availability of this key balance:

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- (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 employing the 6-year budget plans. Paragraph 5.K. below provides information specific to 6-year budget plans.
- (2) **Current-Year Results of Operations.** 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 the maintenance of adequate equity balances to fund planned uses;
 - (b) manage each WCF activity with the ultimate goal that customer equity will break even over the long term;
 - (c) do not use one WCF activity's equity balance to subsidize another activity's operations, especially when the customer bases are different, unless approved by the Reclamation-wide WCF Manager;
 - (d) perform quarterly WCF activity reviews that include FYE unobligated balance projections, trend analysis, and budgeted versus actual comparisons using the 6-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 adequate unobligated balance. The WCF Manager will initiate requests for exceptions to this standard to the CFOC for review and subsequent submission to the Program & Budget Office for inclusion in the *United States Department of the Interior Budget Justifications and Performance Information* or, more commonly known as, the Green Book.
- D. **Fund Balance with Treasury or (FBWT) Transfers.** A WCF activity may find itself in a position in which it will not be able to collect enough revenue by FYE to have a normal available balance (credit standard general ledger (SGL) 4450). An abnormal available balance is undesirable and requires appropriate management to avoid. FBMS will not close at FYE if a functional area has an abnormal available balance (debit SGL 4450). A FBWT transfer is a process the WCF activity manager can request to ensure the activity will enter the FYE process with a normal available balance.

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Appendix D, *Working Capital Fund (WCF), Fund Balance with Treasury (FBWT) Transfers*, describes the roles and responsibilities of the FBWT transfer process in detail.

- E. **Budget Increase Requests.** After the CFO has approved a WCF activity's budget for a FY, an activity may not exceed that budget without formal approval of a request to do so. Appendix E, *Working Capital Fund (WCF) Increases to Budget*, describes the roles and responsibilities of the budget increase request process in detail.
- F. **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) The Office of Management and Budget (OMB), in Circular A-11, *Preparation, Submission, and Execution of the Budget*, Section 20, Terms and Concepts, requires advance payment for work Reclamation performs for non-Federal customers.
 - (2) Law does not require advance payment for work Reclamation performs for other Federal entities, but advance payment is a best practice for work for other Federal entities whose payment history demonstrates a higher risk than usual.
 - (3) The WCF is a no-year, revolving fund. (See Appendix A *Working Capital Fund Authorizing Legislation*, Paragraph 1.) When Federal entities or customers provide an advance, Reclamation will record an obligation against their funds, which have a specific period of availability. Reclamation must be aware of this period of availability, along with the underlying authority for these interagency advances, because the availability may affect whether the WCF activity will have to return all or a portion of the unearned advance. The following are the two categories of authority for interagency advances:
 - (a) **Economy Act Agreements, Government Accountability Office (GAO) *Principles of Federal Appropriations Law, Volume II, Chapter 7.B.(i)(1)*.** These are the most common agreements or authority for interagency transactions. The WCF activity must begin work for the customer during the period of availability of the customer's funds. If the WCF activity is unable to 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 *Principles of Federal Appropriations Law, Volume II, Chapter 7.B.(i)(2)*.** A WCF activity may enter into agreements to provide services under statutory authority other than the Economy Act. Working under the scope of these agreements, the WCF activity may retain a customer's advance and draw it down beyond the

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fund's period of availability. This applies regardless of when the WCF activity completes its work if the circumstances of the agreement satisfy the bona fide needs rule (GAO *Principles of Federal Appropriations Law*, Volume I, Chapter 5).

- G. **Development Activities.** When proper authority directs a Reclamation WCF activity to terminate a previously approved project, acquisition, or software development, the costs Reclamation already incurred are “development activities.” Reclamation must recover development activities costs not advance-funded or concurrently billed from the initial beneficiaries. The WCF Manager must approve any proposal to recover development activity costs from an alternate funding source.
- H. **Costs and Rate Setting.** Reclamation must recover all costs, direct and indirect, to operate a WCF activity. Each activity must establish rates to recover all costs from the benefiting customer base (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.
- I. **Chartered Rate Review Boards.** All activities that are service providing in nature (e.g., drill crew, dive team, construction and engineering) are subject to the chartered review board requirements in Paragraph 4.G. (6) with the exception of the office indirect accounts. These activities will not use boards existing for other purposes in lieu of customer boards unless the boards include representatives from all primary external customers and have a responsibility to review and approve rates based on the budget approved by the CFO. The ARG will remain the customer review board for Departmental assessments, the bureau-wide leave account, and the bureau-wide indirect cost accounts.
- J. **Billing.** Each WCF activity must bill its customers in a timely manner to ensure sufficient unobligated balances are available to meet future operating needs and to ensure it collects to cover operational and capital asset obligations.
- K. **Budget Process: 6-Year Plans.**
- (1) OMB regulations require inclusion of the annual WCF budget in Reclamation's annual budget submissions. To streamline the WCF budget reporting process, the 6-year plan encompasses both the WCF's operating budget and its capital investments. The operating budget presents the annual operating costs of each WCF activity including depreciation and amortization. Capital investments identify financial resources Reclamation plans to use for the acquisition of capital assets and/or software development. The 6-year plan provides actual figures from two prior FYs, CFO-approved amounts for the current FY, and forecasts figures for three out-years.

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- (2) The WCF Manager transmits an annual budget call with updated worksheets to the RLT. The 6-year plans are due back to the RWCFC on the date the budget call correspondence specifies. Returning the 6-year plans to the RWCFC by the due date allows the consolidation of the plans into a Reclamation-wide package for submission to the Department in a timely manner. The first and main worksheet of the 6-year plan is the consolidated (Consol) worksheet. It includes the following components:
- (a) **Cost of Operations.** The cost of operations section summarizes actual and projected expenses and losses according to the appropriate SGL, and/or FBMS general ledger (GL) account.
 - (b) **Revenue.** The revenue section contains revenues Reclamation collected and anticipated projections for future operating revenues. It also includes lines for anticipated revenues from other sources and gains. Revenue is a key figure in Reclamation's budget submission, and Reclamation reports it to OMB.
 - (c) **Cumulative Results of Operations.** The cumulative results of operations balances provide a summary review of current and anticipated position for management analysis.
 - (d) **Capital Investments.** Capital investments summarize prior and planned capital purchases. Trial balance FBMS GL accounts 8802.111* and 8802.9ACCR1 are the sources for the values representing prior year capital costs.
 - (e) **Unobligated Balance.** The unobligated balance is the prior year's ending balance plus or minus the net of applicable expenses and revenues over (under) obligations in the current-year. The unobligated balance is a key figure in the budget submission and Reclamation reports it to OMB.
- (3) The 6-year plan workbook includes additional worksheets to the Consol worksheet. The number of worksheets in the 6-year plan and their titles can change from year to year according to need. As of the date of this release, the 6-year plan workbook includes four additional worksheets. Each worksheet serves the following purposes:
- (a) **Regional Input.** The regional input tab provides cells for the region to input its budget numbers. It is a smaller and less complicated version of the Consol tab.
 - (b) **Capital Investment (Cap Inv).** The regions must prepare a capital investment plan for each out-year. These plans provide information regarding specific anticipated capitalized purchases by FY. The input on this worksheet links to and provides data on, the regional input and Consol tabs.

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- (c) **Non-Cap Inv.** Regions itemize non-cap budget amounts, equal to or greater than \$100,000, by FY on the Non-Cap Inv tab.
- (d) **FY** Carryover.** The carryover tab displays the projected carryover amount from the Consol tab for the year for which the CFOC will make its budget recommendation. Regions are to break the carryover out into appropriate amounts based on the plans for those amounts and provide written plans for use of the carryover and/or an adequate justification for the carryover.

6. Appendices.

- A. **Appendix A.** *Working Capital Fund Authorizing Legislation*
- B. **Appendix B.** *Glossary of Terms and Reference Documents*
- C. **Appendix C.** *Working Capital Fund (WCF) Functional Areas*
- D. **Appendix D.** *Working Capital Fund (WCF), Fund Balance with Treasury (FBWT) Transfers*
- E. **Appendix E.** *Working Capital Fund (WCF) Increases to Budget*

7. Related References.

- A. **Appropriation Law.** *Revolving Funds*
- B. **OMB Circular A-11.** *Preparation, Submission and Execution of the Budget.*
 - (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 Standards and Concepts*
- E. **FIN 04-20.** *Master Data and General Ledger (GL) Chart of Accounts*
- F. **FIN 02-10.** *Appropriations - Treasury Symbols and Corresponding Funds*
- G. **Bureau of Reclamation Standard Processes of Costing (SPOC) Business Practices.**

RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: _____

Release No. _____

Ensure all employees needing this information are provided a copy of this release.

Reclamation Manual Release Number and Subject

Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

Filing instructions

Remove Sheets

Insert Sheets

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Filed by: _____

Date: _____