

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 (Pub. L. 99–141, Title II, Section 205; 99 Stat. 571; 43 USC 1472) and acts amendatory of and supplemental thereto; Government Accountability Office (GAO), <i>Principles of Federal Appropriations Law</i>
Approving Official:	Director, Management Services Office (MSO)
Contact:	Finance Policy and Programs Division (FPPD); Policy, Compliance, and Audit Branch (PC&A) (84-27410)

1. Introduction.

- A. The Energy and Water Development Appropriations Act of 1986 established Reclamation’s WCF. Appendix A, *Working Capital Fund Authorizing Legislation*, presents the verbiage of the authorizing legislation. The U.S. Department of the Treasury (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. Upon receipt of the Reclamation WCF Manager’s approval, Reclamation’s regions may establish and operate WCF activities.
2. **Applicability.** This D&S applies to all Reclamation personnel involved with the monitoring, operating, and reporting of WCF activities.

3. Major WCF Management Elements.

- A. **Revolving Fund.** The WCF is a Revolving Fund. Reclamation must manage its WCF such that:
 - (1) Its activities recover full cost from their beneficiaries.

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- (2) It maintains unobligated balance levels 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. The *Principles of Federal Appropriation Law*, Third Edition, Volume III. 4. a., (page 12-106) states, “a revolving fund is an appropriation, ...and unless specifically exempted, funds in a revolving fund are subject to the various purpose, time and amount limitations and restrictions applicable to appropriated funds.” Office of Management and Budget Circular A-11, 145.4 states, “The incurring of obligations in excess of apportioned budgetary resources in a revolving fund is a violation of the Anti-Deficiency Act, even if a fund has unapportioned budgetary resources or non-budgetary assets greater than the amount apportioned.” Regional WCF coordinators (coordinators) review the Shortage Surplus Report (SSR) for WCF key balances and provide explanations for variances in response to WCF Advisor and Reclamation-wide WCF Coordinator (RWCFC) requests. They also coordinate analysis and report planned uses of unobligated balances, provide cost recovery corrective action plans to the WCF Advisor and the RWCFC, and ensure the WCF does not have abnormal account balances prior to fiscal year end (FYE) close. two key balances track the financial health and status of the WCF:

- (1) **Unobligated Balance.** Unobligated balance, or carryover, represents budgetary resources Reclamation has not yet obligated. These balances do not represent unused Chief Financial Officer (CFO) approved WCF budget. WCF CFO Council (CFOC) approved budget does not carry over to the following fiscal year (FY). The WCF maintains unobligated balances necessary for rate stability but under the limits its authorizing legislation stipulates. Regional WCF Activity Managers assist in the development of fund use priorities and the management of unobligated WCF activity balances to ensure rate stability. A region may have a functional area with an abnormal unobligated balance (debit) during the FY, but at no time may the overall regional unobligated balance be abnormal. Reclamation Leadership Team (RLT) members ensure their region or directorate maintains a normal unobligated balance. The WCF Manager reviews and approves regional plans to correct abnormal unobligated balances. 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 unobligated balance. The following regional requirements pertain to the review and availability of this key balance:
 - (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 year-to-date comparisons employing the 6-year budget plans. Paragraph 4.I.(3) below provides information specific to 6-year budget plans.

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- (2) **Current-Year Results of Operations.** Current-year results of operations are the net difference between revenues/gains and expenses/losses for the current year. The following regional requirements pertain to the review and availability of this key balance:
- (a) manage each WCF activity to ensure the maintenance of adequate results of operations balances to fund planned uses and ensure acceptable stable rates;
 - (b) manage each WCF activity with the goal that results of operations will break even over the long term;
 - (c) do not use one WCF activity's results of operations balance to subsidize another activity's operations, especially when the customer bases are different, unless the Bureau-wide WCF Manager provides approval to do so;
 - (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) consider results of operations in rate calculations.
- C. **Appropriations.** To increase capital, Reclamation may, but in practice does not, submit WCF appropriation requests to Congress. If necessary, 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 (FBWT) Transfers.** A WCF activity may find itself in a position in which it will not be able to collect enough to close the FY with a normal unobligated balance (credit standard general ledger (SGL) 4450.xxxxx). Budgeted WCF activities and sub-activities may not close with an abnormal balance. An FBWT transfer is a process the region may employ that moves balances from one budgeted WCF Activity to another to ensure an activity will enter the FYE process with a normal unobligated balance. Appendix D, *Working Capital Fund (WCF), Fund Balance with Treasury (FBWT) Transfers*, describes the roles and responsibilities of the FBWT transfer process in detail. The RWCFM will facilitate a WCF activity's FBWT transfer request for presentation to the FPPD Manager. After review by the FPPD Manager, the WCF Manager approves requests for WCF FBWT transfers.
- E. **Budget Increase Requests.** Once 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 budget increase request process in detail. Coordinators submit WCF budget increase requests to the FPPD Manager through the RWCFM. The RWCFM facilitates WCF budget increase requests for presentation to the WCF Manager. Upon receipt and

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review, the RWCF sends the budget increase request to the WCF Manager for approval.

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

- (1) The Office of Management and Budget (OMB) 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) When Federal entities or customers provide an advance, the funds against which Reclamation will record an obligation will 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 an unused advance. The following are the two categories of authority for interagency advances:
 - (a) **Economy Act Agreements, 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 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

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the initial beneficiaries. The WCF Manager approves proposals to recover development activity costs from alternate funding sources.

- H. **Costs Recovery.** In accordance with authorizing legislation, the WCF must recover all its costs, both direct and indirect. 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. Each WCF activity must bill its customers to ensure it recovers costs in a timely manner, preferably in the period it incurs them.
- I. **Budget Process.** The WCF manager sends an annual budget call with updated budget worksheets to the RLT and oversees the CFOC's annual review process of WCF plans and budgets. The RLT oversees the annual review process of regional WCF plans and budgets. The RWCFC reviews regional WCF financial and budget submissions in preparation for Reclamations' annual WCF budget review meeting. The CFO approves or disapproves WCF activity budgets based on the recommendations from the CFOC. Coordinators prepare or coordinate the preparation of budget and financial reports as the regional WCF manager, WCF Advisor, CFOC, Associate Chief Information Officer (ACIO), or WCF Manager require.
- (1) **Reclamation WCF Budget.** 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 year-end figures for two prior FYs, CFO-approved amounts for the current FY, and forecasts operational cost figures for three out-years and capital investment plans for five out-years.
 - (2) **Regional WCF Budget.** Coordinators (in coordination with Activity Managers) prepare and consolidate regional WCF 6-year plans and business decision documents (BDD) and review budgets for accuracy and reasonableness (level of coordinator involvement can vary between regions based upon regional assignment of duties). Regional submissions of 6-year plans and BDDs are due to the RWCFC on the date the budget call correspondence specifies. Returning the 6-year plans and BDDs to the RWCFC by the due date allows the consolidation of the plans into a Bureau-wide package for submission to the Department of the Interior in a timely manner.

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- (3) **The 6-Year Plan.** The 6-Year plan is a budget formulation document providing detailed information that reconciles with the corresponding budget formulation summary document, the BDD.
- (a) **First and Main Worksheet.** The first and main worksheet of the 6-year plan is the Regional Input worksheet. It includes these components:
- (i) **Fiscal Year Obligations.** This section summarizes one and two years prior and projected obligations by commitment item or commitment item group.
 - (ii) **Cost of Operations.** This section summarizes one and two years prior and projected expenses and losses by SGL.
 - (iii) **Revenue.** This section summarizes one and two years prior and projected revenues and gains by SGL. Revenue is a key figure in Reclamation's budget submission, and Reclamation reports it to OMB.
 - (iv) **Cumulative Results of Operations.** The cumulative results of operations balances provide a summary review of current and anticipated position for management analysis.
 - (v) **Capital Investments.** Capital investments summarize prior and planned capital purchases. Trial balance FBMS SGL account 8802.00000, *Purchases of Capitalized Assets*, is the source for the values representing prior year capital costs.
 - (vi) **Unobligated Balance.** The unobligated balance is the sum of the prior year's ending balance and the net of applicable budgetary SGL activity in the FY. The unobligated balance is a key figure in Reclamation's budget submission and Reclamation reports it to OMB.
- (b) **Other Worksheets in the 6-year plans.** The 6-year plan workbook includes additional worksheets to the Regional Input 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 the following additional worksheets:
- (i) **Capital Investment (Cap Inv).** The regions prepare a capital investment plan for the execution year and each of five out-years. Entries provide information regarding specific anticipated capitalized purchases by FY. The input on this worksheet links to, and provides data on, the Regional Input tab.

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- (ii) **Non-Cap Inv.** Regions itemize non-cap expense budget amounts, equal to or greater than \$100,000, by FY on the Non-Cap Inv tab for the execution year and each of three out-years.
 - (4) **BDDs.** Directors submit a WCF BDD for each WCF functional area level activity within his/her directorate to the Director, MSO. Directors, or their delegated CFOC member will provide detailed presentations of their WCF activity BDDs to the CFOC at the annual CFOC budget meeting. The CFOC will serve as the review board and will provide recommendations for each WCF activity budget to the CFO.
 - (5) **Information Resource Business Advisory Council (IRBAC) and ACIO.** The IRBAC will recommend WCF Information Management Technology (IMT) budgets to the ACIO after reviewing budgets by region and investments, providing recommendations to the ACIO on the WCF IMT budgets, reviewing and making recommendations for the Departmental and Bureau-wide IMT assessments, and reviewing strategic plans for new IMT systems and WCF IMT activities. The ACIO is responsible for certifying that he or she approves all IMT budget requests for Reclamation, regardless of funding sources, through the Department's required Joint Certification Statement, in coordination with the Bureau Budget Officer, Deputy CFO, and the CFO. The ACIO reviews input provided by the IRBAC and provides recommendations to the CFOC on WCF IMT budgets.
- J. **Management of the Working Capital Fund.** Reclamation leverages inclusion and transparency in management of its WCF. Management of the WCF falls to the following groups and arenas:
- (1) **Centralized Management.** Both regional and Denver participation contributes to the centralized management of the WCF.
 - (a) The WCF Manager submits WCF budget figures and appropriation requests, when 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. The WCF Manager provides senior leadership, and oversight and management requirements for Reclamation's WCF. The WCF Manager also represents Reclamation at Departmental and other high-level WCF hearings and meetings.
 - (b) The RLT provides management direction for regional WCF activities by overseeing, and when appropriate, assigning WCF related management to a responsible official.
 - (c) The FPPD Manager, who reports directly to the WCF Manager, provides WCF support to the CFOC and WCF Manager, develops and maintains WCF

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procedures and internal controls in consultation with the regions and directorates, and oversees WCF operations. The FPPD Manager also ensures compliance with financial and budget reporting activities and coordinates with senior management.

- (d) The WCF Advisor reports to the FPPD Manager working at the WCF Bureau-wide level monitoring the work of the RWCFC. The WCF Advisor also works with the FPPD Manager and the WCF Manager to resolve any issues.
- (2) **Regional Management.** Regional WCF managers coordinate with senior management to develop and maintain regional WCF procedures. They also oversee regional WCF operations and ensure compliance with financial and budget reporting activities. Regional WCF managers provide coordination between regional and centralized elements of WCF management and oversight. Coordinators aid regional WCF managers and respond to requests from the WCF Advisor or RWCFC. WCF Activity Managers ensure WCF activities operate efficiently and effectively within their scope and objectives.
- (3) **CFOC and Assessment Rate Group (ARG).** The CFOC shares information about WCF management, decision processes, and cost recovery activities. It reveals issues requiring the attention of the CFO and makes business practice recommendations on improving the financial integrity of Reclamation's WCF. The CFOC also reviews and makes recommendations to the CFO concerning Departmental and Bureau-wide assessments along with performing special assignments for the CFO or the Commissioner, Bureau of Reclamation. The chairperson of the CFOC is the WCF Manager. The ARG is a sub-group to the CFOC that provides advice and support to MSO for management of Reclamation's Bureau-wide Indirect Cost (BIC) activities, Reclamation's Interior Indirect Cost (IIC) activity, and Reclamation's leave activity.
- (4) **Rates.** The WCF recovers its costs through rates of various types. The following describes management of Reclamation rates.
 - (a) **RLT.** RLT members approve regional or directorate rates, however the RLT member may assign this to their regional WCF manager.
 - (b) **WCF Manager.** The WCF Manager manages and approves rates for the IIC, BIC, and leave accounts. For those activities, the ARG identifies issues and makes recommendations to the WCF Manager on business practices including, support and management of internal control practices, rate setting methodologies, unobligated balances, rate approval, and development of consistent messaging to customers regarding the BIC, IIC, and leave rates. The ARG also provides oversight and monitoring of the BIC, IIC, and leave rates and processes.

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- (c) **Coordinators.** Coordinators review local rates and cost allocation procedures and recommend rate or procedural adjustments to the regional WCF manager when reviews indicate changes may be appropriate. Coordinators ensure regional use of the standardized fixed ownership rate and use rate templates and methodologies to develop and review fleet cost recovery rates.
 - (d) **WCF Activity Manager.** WCF Activity Managers recommend WCF activity rates that provide available financing for future replacements, ensure the WCF activity maintains a positive (normal credit balance) unobligated balance, and ensure the unobligated balance is not in excess of the limits Congress set forth in the authorizing legislation. Activity Managers ensure the activity receives not-less-than semi-annual rate evaluations, receives necessary rate adjustments, and discusses annual WCF rates with customers.
 - (e) **Chartered Rate Review Boards.** All activities that are service providing in nature (e.g., drill crew, dive team, construction, and engineering) are subject to chartered review board requirements. For pertinent activities RLT members will establish chartered review boards whose membership will be its primary external customers. 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 responsibility to review and approve rates based on the budget approved by the CFO. Exempt from review board requirements are the office indirect accounts. The ARG will remain the customer review board for Departmental assessments, the Bureau-wide leave account, and the Bureau-wide indirect cost accounts. The WCF Manager approves charters for the review boards.
- (5) **Oversight.** The RWCFC is responsible for the oversight of the WCF.
- (a) The RWCFC monitors WCF performance and conducts various analyses on an ongoing basis, prepares and analyzes the SSR, and communicates with the coordinators to produce action based on the analysis. The RWCFC will request justifications or comments from coordinators when balances are above established thresholds and submit justifications to the WCF Advisor, FPPD Manager, and/or WCF Manager for review.
 - (b) The RWCFC prepares consolidated WCF budgets and financial reports and submits reports and analysis to the FPPD Manager. The RWCFC compiles FYE unobligated balance projections from approved budget plans and retains all WCF activity analysis and monitoring documentation, in accordance with established internal control standards and retention requirements.
 - (c) The RWCFC advises the WCF Advisor, FPPD Manager, coordinators, Regional WCF Managers, and others regarding WCF matters including WCF reviews, budgets, procedures and requirements. Coordinators perform

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financial analysis to identify anomalies, report findings to Regional WCF Manager or WCF Advisor, and develop corrective action recommendations and notify the regional WCF Manager and the WCF Advisor, in writing, of projected FYE shortfalls.

- (d) WCF Activity Managers manage daily operations for his or her WCF activity and ensure compliance with established WCF procedural directions by 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.
 - (6) **Training.** RWCFC is responsible for providing WCF training for coordinators and others with WCF responsibilities at least once every three years. WCF Activity Managers are responsible for obtaining an understanding and working knowledge of WCF accounting procedures and requirements from or through the coordinator. Coordinators provide training to the WCF Activity Managers, as necessary.
 - K. **Adding or Ceasing WCF Activities.** For their region or directorate, RLT members seek approval of new WCF functional areas from the WCF Manager. Coordinators prepare and submit requests for additions/cessations of WCF activities. The RWCFC receives and reviews requests for additions/cessations of WCF activities and provides them with recommendations to the FPPD Manager and WCF Manager who approve the establishment of new organizational WCF activities. The FPPD Manager provides a formal written response approving or disapproving new WCF activities. For the establishment of new Bureau-wide WCF activities, the CFOC provides the forum for recommendation of approval or disapproval to the CFO who provides the decision.
4. **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.*
 - F. **Appendix F.** *Working Capital Fund (WCF) 6- year plan template.*
 - G. **Appendix G.** *Working Capital Fund (WCF) Business Decision Document (BDD) template.*

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5. Related References.

- A. [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*.
- B. [OMB Circular A-25](#), *User Charges*.
- C. [Federal Accounting Standards Advisory Board, Statements of Federal Financial Accounting Standards – No 4](#), *Managerial Cost Accounting Standards and Concepts*.
- D. [FIN 04-20](#), *Master Data and General Ledger (GL) Chart of Accounts*.
- E. [FIN 02-10](#), *Appropriations - Treasury Symbols and Corresponding Funds*.
- F. [Bureau of Reclamation Standard Processes of Costing \(SPOC\) Business Practices](#).

6. **Definitions.** See Appendix B.

7. **Review Period.** The originating office will review this release every 4 years.

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: _____