POLICIES AND PROCEDURES

Since the inception of the Fund in 1997, the Working Capital Fund Board, the Chief Financial Officer, and the parent organizations of Fund businesses have promulgated policies and procedures on a variety of topics concerning the financial management of the Fund. In addition to documenting methods for day-to-day operation of the WCF businesses and the monthly billing system, these procedures have been developed to respond to audit findings and recommendations of the DOE Inspector General and to criteria set forth in congressional committee language.

This document is intended to organize the policies and procedures into a single reference for use by customers and business line managers as well as by financial management and accounting officials. This Section is revised to incorporate provisions of FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 10, ACCOUNTING FOR INTERNAL USE SOFTWARE. Starting with October 1, 2001, if the Working Capital Fund acquires internal use software, it will be subject to the requirements of SFFAS No. 10, which is effective for FY 2001. SFFAS No. 10 defines internal use software as Property, Plant, and Equipment (PP&E) and requires agencies to capitalize and depreciate it. Previously, such software was expensed. Although internal use software is now PP&E, SFFAS No. 10 permits agencies to establish a capitalization dollar threshold different from that used for other PP&E. The Department's threshold for internal use software is $750,000.

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Section I Policy Framework

A. Background. The WCF is an intragovernmental revolving fund that is authorized by the DOE Organization Act (1977) and the Energy Reorganization Act (1974) to finance administrative functions through which the cost for goods or services provided are charged to customer organizations and the funds received are available to continue operation and replace capital equipment. [2]

B. Goals. The goals of the Department in establishing the Fund include:[3]

(1) Increasing the efficiency of the Department′s operations by having the cost of administrative services reflected in day-to-day decision-making by program managers;

(2) Improving the management of administrative services through use of flexible and businesslike financing methods; and

(3) Providing an accurate full-cost budget for programs and activities, including indirect costs wherever possible.

C. Criteria. [4]

(1) The Fund is an appropriation account within the Department=s financial management system and shall be managed in compliance with general Federal laws and regulations governing appropriated funds and the Department=s accounting and budgeting policies and procedures.

(2) The Fund shall not be used as a vehicle for maintaining balances of unencumbered funds.

(3) The policies of the Fund shall be:

(a) Planned not to produce a profit;

(b) Sound and defensible, without added factors for administrative costs; and

(c) Designed to minimize advance payments and, as appropriate, dispose of any excess advance payments.

(4) Governance of the Fund is based on broad-based representative decision-making, including smaller organizations;

(5) Performance indicators are clearly stated and do not require costly information systems to measure performance, including financial performance.

Section II Organization

General. The Working Capital Fund organization supplements, but does not replace or

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2 Source: 1997 Administrative Control of Funds policy.

3 Source: April 1996 Working Capital Fund Board Charter

4 Criteria (2) and (3) attempt to restate some of the Energy and Water Subcommittee guidance from their FY 1997 and FY 1998 reports.

supplant the formal organization for financing and delivering administrative services within the Department.[5]

A. Working Capital Fund Board. Policy oversight of the Fund shall be vested in the Working Capital Fund Board chartered and appointed by the Deputy Secretary. The Board Chair shall appoint the Fund Manager, Board Secretary, and other officials of the Fund.

B. Working Capital Fund Manager. The Fund Manager shall:[6]

(1) In coordination with the Business Line Managers, develop reasonable estimates by business line of the expected usage of goods and services and associated estimated costs for the purpose of advising customer organizations of anticipated budgetary requirements;

(2) Prepare the annual budget documentation for the Fund, for review by the Chief Financial Officer, the Office of Management and Budget, and the Congress;

(3) Request advances from customer organizations for the current year=s estimated cost of goods and services;

(4) Provide to the customer organization on a monthly basis, with a copy to the Office of Chief Financial Officer (CFO), a statement of costs incurred and an updated or “annualized” estimate of costs of goods and services based on current usage rates and actual costs;

(5) Provide advance notification to the customer organization and the CFO of any potential funding deficiencies in a business line, in particular, in situations that may lead to a WCF administrative violation and take action to reduce costs or to request additional funds to cover estimated costs, as appropriate;

(6) Provide notification to the CFO and applicable customer organization(s) of any WCF administrative violations;

(7) Ensure that a system is in place for collecting costs of goods and services, including establishment of a billing system and review and approval of subsidiary billing systems of the business lines;

(8) Send invoices to the CFO for costs incurred with a duplicate copy to the customer

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5 Board Charter of April 1996.

6 All references are to the 1997 policy on Administrative Control of Funds, with the exception of item (2), which is implicit in the Energy and Water Development Subcommittee report criteria for FY 1997 and FY 1998, item (10) regarding the Dispute Resolution Council, and item (11) regarding reporting to the Board on Inspector General audits..

organization(s);

(9) Make downward price adjustments as appropriate and alert the Board to the need to make upward price adjustments;

(10) Provide staff support and information to the Dispute Resolution Council; and

(11) Report periodically to the Board on the status of any outstanding findings or recommendations of the Inspector General .

C. Business Line Managers. The Business Line Managers shall monitor and control costs of their responsible business line and advise the Fund Manager of the adequacy of existing funding to meet costs projected for the fiscal year.[7]

(1) The two types of Business Line Managers are the Business Line Fund Manager, who performs fund control and related financial support functions, and the Business Line Service Manager, who plans, manages, and operates the service activity.

(2) The Business Line Service Managers shall be appointed by the organization responsible for service delivery. The Business Line Fund Managers shall be appointed by the organization responsible for service delivery, subject to concurrence by the Working Capital Fund Manager. The two types of Manager functions may be vested in a single individual.

(3) The Business Line Fund Manager:

- Performs the administrative funds control functions, as defined by Board policy with respect to the term Abusiness line manager;@

- Establishes and maintains systems for defining and collecting timely and accurate information on direct and indirect costs of businesses;

- Establishes and maintains systems for calculating and reporting to the Fund Manager the monthly charges to each customer, in a format to be prescribed by the Fund Manager;

- Maintains administrative funds control systems to ensure the availability of funds from customer payments into the Fund before making or

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7 The section on Business Line Fund Manager and Business Line Service Manager roles is derived directly from an October 17, 1997 MA internal organizational directive, but it has been included here because of the creation of new businesses that do not report administratively to the Office of Management and Administration. Also, this section adds the requirement for WCF Fund Manager concurrence in the appointment of the Business Line Fund Managers, because of their roles in the Administrative Control of Funds process.

authorizing commitments for goods and services to be paid for out of the Fund;

- Alerts the Fund Manager to projected shortages in resources available to cover business line costs;

- Provides timely, accurate, and relevant advice and information to Business Line Service Managers, the Fund Manager, and to Board Working Groups on projected resource requirements, historical cost profiles, financial balances (unobligated, uncommitted, uncosted, unpaid, etc.) and related matters;

- Assembles and forwards to the Fund Manager estimates of projected usage by customer, based on current or proposed Board pricing policy; and

- Prepares and proposes a Five-year Plan to the Board through the respective working group and Fund Manager.

(4) The Business Line Service Manager:

- Plans, implements, and monitors contractual arrangements for the services provided by the business, to ensure appropriate service levels within known or projected resource limits.

- Serves as a principal point of contact for customer inquiries about usage patterns, costs incurred, service standards, scheduling, and options.

- Anticipates the need for working group or other review of pricing policies and initiate action.

- Establishes and maintains systems to track and confirm customer usage of services in accordance with Board pricing policy.

- Maintains an active program of benchmarking with other Federal agencies, other parts of DOE, and the private sector on pricing policies and cost levels.

- Cooperates with the Board and its Working Groups in the analysis of new business possibilities.

D. Customer Organization. The customer organizations shall:

(1) Provide information to the Fund Manager and the Business Line Managers for use in the development of reasonable estimates by business line of the expected usage of goods and services;

(2) Provide sufficient advances (via authorizing memorandum to the Fund Manager with a duplicate copy to the CFO) for the estimated cost of goods and services for the fiscal year;

(3) Control costs to prevent obligations for each business line from exceeding advances provided to the WCF;

(4) Periodically review fund balances and expected future costs and, if necessary, take appropriate action to provide additional funding or remove excess funds; and

(5) Provide the CFO a plan of action to address potential funding deficiencies within 10 working days of receiving request from the CFO.

E. Office of Chief Financial Officer (CFO). The Office of CFO shall:

(1) Issue approved funding programs and associated Advice of Allotment in accordance with anticipated purchases by customer organizations;

(2) Obligate sufficient funds based on authorizations received from customer organizations and make payment of such funds to the WCF for advance payment of the estimated cost of goods and services;

(3) Monitor funding levels and expected costs, as projected by the WCF, by customer organization;

(4) Notify customer organization(s) when funds are not adequate to meet estimated costs and request customer organization(s) to provide a plan of action to address potential funding deficiencies;

(5) Reserve and obligate funds of a customer organization, as appropriate, to cover potential funding deficiencies if the customer organization does not respond to the mandatory request in II.E.(4) above within 10 working days of notification;

(6) Record costs against customer organizations upon receipt of WCF invoices; and

(7) Maintain the accounting for the WCF operations.

F. Dispute Resolution Council.[8] The Working Capital Fund Dispute Resolution Council (Council) is chartered by the Board to resolve disputes between Working Capital Fund (Fund) customers and the Fund Manager. The Council shall establish its own schedule and operating procedures necessary to carry out its business. The Council may recommend revisions to this Charter deemed necessary to carry out its duties.

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[8] This is a condensed version of the Dispute Council Charter, omitting its specific operating procedures.

(1) The Council will be established by majority vote of the Executive Board (Board) and shall be chaired by a representative of the Office of Hearings and Appeals nominated by the General Counsel Board member and approved by majority vote of the Board.

(2) The Council will be comprised of the Chairperson and voting members from four Program Offices approved by majority vote of the Board. The Council may seek advice on legal matters from the Office of General Counsel and on budgeting and accounting matters from the Chief Financial Officer as necessary.

(3) When Fund customers have disputes that are not resolved with the Fund Manager in a timely manner, either the customer=s authorized resource manager, Senior Program manager, or the Fund Manager may request that the Dispute Resolution Council review the disputed matter.

(4) The Council will explore options for a satisfactory resolution of those disputes and present a recommendation to the Board. The Board will decide by majority vote whether or not to accept the recommendation, and the decision of the Board shall be binding on the Fund Manager and the customer.

G. Working Groups. In providing pricing policy and other advice to the Board, the Fund Manager shall establish on an as-needed basis working groups composed of both business line staff and customer representatives.

1) At least one working group shall be established with cognizance for each business line, though the Fund Manager may assign multiple related businesses to a single working group.

2) The Fund Manager may use existing groups to serve as working groups of the Board, to avoid duplication.

3) Working groups shall provide pricing policy options and supporting information to the Board whenever new businesses are created, and they also be used from time to time to review business line operations, recommend pricing policy changes, and the like.

4) Working group membership will be open to all DOE organizations, and working group meetings will be announced widely.

5) Working groups are advisory only, and they shall consider the expression of dissenting views of attendees.

6) The Fund Manager shall periodically publish a listing of the working groups and their members.

Section III Administrative Control of Funds

A. Policy.

(1) The WCF shall be financed by advance payments from customer organizations which receive goods and services provided by the WCF. Funds shall be (a) collected at the beginning of the fiscal year and (b) sufficient to cover estimated costs of providing the goods and services for the fiscal year. In situations where full funding is not appropriated; i.e., during the period of a continuing resolution, a pro rata share of the customer organization=s advance payment shall be paid to the WCF until full funding becomes available. For Ano-year@ appropriations advanced to the WCF, any over funding by a customer organization as of close of business the last working day of the fiscal year will be applied to the next fiscal year. However, where one-year appropriations are advanced to the WCF, those funds may only be obligated for the particular fiscal year in which the funds are available for obligation. Any unobligated balances of a particular one-year appropriation remaining at the end of the fiscal year for which the funds were appropriated will expire for obligational purposes and will not be available for incurring new obligations. For detailed guidance on one-year appropriations, particularly the implications of the Bona-fide Needs Rule and Severability, refer to the Chief Financial Officer=s February 24, 1998, memorandum, AGeneral Guidance on One-Year Appropriations.@

(2) Notwithstanding paragraph (1) above, excessive funds (i.e., amounts in excess of the estimated WCF requirements) shall not be collected or maintained in the WCF. If, during the fiscal year, funds advanced by one or more customers are determined to be excessive, funds shall be returned to the customer organization(s).

(3) The Fund Manager, Business Line Managers, and customer organizations shall mutually agree on the estimates by business line of the expected usage of goods and services, associated estimated costs pursuant to the policy of the WCF Board, and funds required for the fiscal year.

(4) Disputes between the Fund Manager, Business Line Managers, and the customer organizations with regard to the expected usage of goods and services, associated costs, and funds required for the fiscal year shall be resolved in accordance with the dispute resolution process approved by the WCF Board.

(5) Total WCF obligations shall not exceed the lesser of the advance payments collected in the WCF or the obligational authority issued to the WCF on the Advice of Allotment. (See DOE Accounting Handbook, Chapter 2, AAdministrative Control of Funds,@ for additional information on limitations.)

(6) Obligations for each business line shall not exceed the advance payments collected for the specific business line. Obligations in excess of the advance payments collected are considered a WCF administrative violation for the business line.

B. Execution and Control of the WCF.

(1) Customer organizations receiving goods and services shall authorize the CFO, by

memorandum through the Fund Manager, to obligate funds for the fiscal year and make payment of such funds to the WCF for advance payment of goods and service.

(2) Upon receipt of authorizing memorandum, the CFO shall obligate funds of customer organizations and make payments of such funds to the WCF.

(3) Advances paid to the WCF shall be recorded as a budgetary resource against the allotment established for the WCF.

(4) As customers receive goods and services, costs will be tracked through various service provider systems and summarized in a centrally located system.

(5) Invoices provided by the Fund Manager from the centrally located system shall be forwarded to the CFO (with a duplicate copy to the customer organization) where costs are recorded against the customer organizations.

(6) An updated or Aannualized@ estimate of costs of goods and services based on current usage rates and actual costs shall be provided to each customer organization and the CFO by the Fund Manager on a monthly basis.

(7) Continuous analysis shall be performed by the Fund Manager, the CFO, and customer organizations to determine whether advance payments are adequate to meet estimated costs. If determined that funds are not sufficient, additional advance payments shall be provided by the customer organization.

(8) In situations where funds are not adequate to cover estimated costs, the CFO shall send written notification to the customer organization(s) requesting that a plan of action, addressing the deficiencies, be submitted to the CFO within 10 working days. The plan should indicate the customer=s intent to (a) provide additional funds; (b) cut expenditures; and/or (c) seek determination through the dispute resolution process. If the customer organization=s plan of action will not resolve the funding deficiencies in a timely manner, the CFO will work with the customer organization to amend the planned action(s). If the customer organization does not respond to the mandatory request within 10 working days of the notification, the CFO shall reserve and obligate the customer organization=s funds to cover the funding deficiencies.

Section IV. Accounting for Assets and Liabilities

A. Policy. Assets acquired and liabilities incurred by the WCF shall be accounted for in accordance with Departmental requirements established in the DOE Accounting Handbook or interim guidance issued by the Office of Chief Financial Officer, consistent with the Statements of Federal Financial Accounting Standards.

B. Accounting for WCF Assets.

(1) Property, Plant, and Equipment (PP&E).

(a) Capitalization. The WCF shall capitalize all PP&E items acquired if they have an anticipated service life of 2 years or more and if they cost $25,000 or more.

(b) Transfers. PP&E transferred from another office to the WCF shall be recorded in the accounts of the WCF at the transferring office=s historical cost and accumulated depreciation (net book value).

(c) Depreciation. Depreciation shall be recorded using the straight line method. Depreciation shall be based on the service lives provided in an appendix to Chapter 10 of the DOE Accounting Handbook.

(d) Writeoffs. PP&E items which do not provide service in the operation of the WCF shall be written off the books, or down to net realizable value if the items are expected to be converted to cash or equivalent.

For additional guidance on accounting for property, plant, and equipment, refer to Chapter 10 of the DOE Accounting Handbook or the Statement of Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment."

(2) Inventory.

(a) Acquisition. Generally, inventory acquired shall be recorded at the original cost of acquisition, which includes the net purchase price (gross billing less discounts) plus packing, transportation, docking, and related charges required to place the inventory in storage ready for issue or customer purchase.

(b) Transfers. Inventory transferred from another office to the WCF shall be recorded in the accounts of the WCF at the transferring office=s carrying value.

(c) Cost Recognition. Recognition of the cost of inventory shall be at time of purchase by the WCF.

(d) Writeoffs. Inventory items which do not provide service in the operation of the WCF shall be written off the books, or down to net realizable value if the items are expected to be converted to cash or equivalent.

(e) Valuation. Inventory items should always be valued at the lower of cost or market.

For additional guidance on accounting for inventory, refer to Chapter 9 of the DOE Accounting Handbook or the Statement of Federal Financial Accounting Standards No. 3, AAccounting for Inventory and Related Property .@

(3) Accounts Receivable. The WCF shall record amounts due from customer organizations for goods and services furnished.

For additional guidance on accounting for accounts receivable, refer to Chapter 8 of the DOE Accounting Handbook.

(4) Prepaid Expenses. The WCF shall record as an asset any material advance payments to vendors for goods or services that are intended for use in business line operations or future sales to customers.

C. Accounting for WCF Liabilities.

(1) Advance Payments. Advance payments received from customer organizations for anticipated goods and services shall be recorded as unearned revenue in the WCF. As goods and services are provided to customer organizations, unearned revenue is reduced and earned revenue is increased by the related costs incurred.

(2) Accounts Payable. Accounts payable shall be recorded by the WCF for unpaid invoices received from vendors for goods and services received.

(3) Accrued Expenses. Accrued expenses shall be recorded by the WCF at the end of the fiscal year for goods and services received by customer organizations or WCF business lines for which a bill (vendor invoice) has not been received. The Business Line Managers have the responsibility to notify the Capital Accounting Center (CR-50) of the accrued expenses.

For additional guidance on accounting for liabilities, refer to Chapter 11 of the DOE Accounting Handbook or the Statement of Federal Financial Accounting Standards No. 5, AAccounting for Liabilities of the Federal Government. @

Section V. Fund Manager Reports

A. Quarterly Reports to the Board. The Fund Manager shall provide quarterly reports to the Board on the relationship of actual costs and obligations to customer advances and billings, in accordance with this section.[9]

(1) Policy

(a) Working Capital Fund businesses shall be operated on a not-for-profit basis, such that the earnings of each business shall be planned to cover the costs of such business. Excessive funds shall not be collected or maintained by the WCF.

(b) The Board should be provided with periodic information on the financial results of Working Capital Fund businesses, with particular emphasis on:

i. Known or expected problems with compliance with Working Capital Fund policies on administrative control of funds;

ii. Anticipated need for changes in billing of WCF costs in the current year;

iii. Anticipated need for actions by the Dispute Resolution Council; or

iv. Anticipated need for changes in budget forecasts and advice to customers.

(2) Timing of Information:

(a) The Board shall be provided with reports for the first, second, and third fiscal quarters at the next scheduled Board meeting following the issuance of customer bills for the last month of such quarters (i.e. December,

[9] This subsection was presented to and adopted by the Board in conjunction with the management response to the 1997 Inspector General audit of the Fund.

March, and June).

(b) The Board should be provided with a report for the full fiscal year at the first meeting following the closing of the Department's accounts for that year. (See Subsection V.B. below).

(c) When a Board meeting is not held in a timely manner following the end of a fiscal quarter, the report may be transmitted to Board members in writing.

(d) The Chair may call for more frequent reports or convene Board meetings as needed to address pressing issues.

(3) Contents of Quarterly Reports

(a) Each quarterly report shall provide summary information regarding the following:

i. Relation of earnings (billings)[10] to expenses (accrued costs) by business line;

ii. Relation of payments (advances) by customer to current and anticipated annualized billings under current pricing policies, with a discussion of material balances or deficiencies;

iii. Relation of payments (advances) to obligations by business line;

iv. Changes in budget estimates, by business line and customer, from

previously published estimates; and

v. Anticipated need to change billing of WCF costs or to make substantial changes in operating levels.

(b) The Fund Manager shall prepare the quarterly statements based on information in the Department's accounting system and reconcile the Fund's information with the Department's accounting records.

B. Other Reports to the Board.

(1) On an annual basis, the Fund Manager shall submit to the Board an analysis of the cost structure of the Fund with respect to elements of business cost that are not included in the financial reports or billings of the Fund. The Fund Manager=s report shall analyze the impacts on the competitive status of business lines of expanding the cost structure to reflect the recommendations in the Federal Accounting Standards Advisory Board guidelines.[11]

(2) When a business line has had financial losses B an excess of costs over earnings B

10 Some billings occur annually at the start of the year. It is intended that the reports on quarterly *earnings* reflect only the portion of billings that accrue to the period in question.

11 This addresses the recommendations of the Inspector General in the 1997 audit report on the Fund.

for two consecutive fiscal quarters, the Fund Manager shall ask the cognizant working group plus the Business Line Officials to prepare a report for the Board. The report shall diagnose the causes of the financial losses and outline recommendations to the Board including, but not limited to, remedial actions in the following factors:

(a) The pricing policy of the business;

(b) The cost structure of the business;

(c) The cost level of the business, including any reductions that appear warranted;

(d) The operating level of the business;

(e) Options for whether and how to continue the business.

The report shall include examples of how other Federal agencies have addressed similar business lines, and recommendations shall be accompanied by an assessment of impacts on customers. The Fund Manager shall also submit to the Board any differing recommendations that may have been received from the Business Line or from the working group members.[12]

Section VI. Policies on Fund Balances

A. Policy. The Fund shall not be managed to permit an accumulation of unencumbered funds. All Fund balances shall be disclosed to the Board, to customers, to the Chief Financial Officer, to the Inspector General, and to the Office of Management and Budget and the Congress, as part of the financial reporting and budget preparation responsibilities outlines elsewhere in these procedures.[13]

B. Balances in Relation to Specific Customers

1) Customer advances to the Fund in excess of billings from the Fund businesses shall be treated as liabilities of the individual businesses, and generally, except as discussed in Section III, shall be treated at the close of a fiscal year as a credit against the billings of the customer in the subsequent fiscal year.

2) Customers should treat such balances as uncosted obligations, subject to the analysis requested by the Chief Financial Officer regarding such balances.

3) The Fund Manager shall provide customers with as much information as practicable concerning the anticipated annual costs of each customer for each business line, to permit customers to make adjustments in their advance payments to the Fund.

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12 This is intended to address the recommendations of the Inspector General in the 1998 draft audit report on the Fund.

13 See Section I on Policy Framework

C. Balances in Relation to Specific Businesses[14]

(1) The financial balances of each business shall be recorded and maintained separately. The Fund Manager shall make recommendations to the Board concerning any transfers of balances between business lines.

(2) The Fund Manager shall report to the Board on any actual or anticipated accumulation of a material excess of earnings (billings) over accrued costs of an individual business line. Any such report shall include recommendations on whether to amend business line pricing policies to eliminate the accumulation of material balances of such net earnings.

(3) The cost structures of the businesses in the Fund shall reflect depreciation as called for by Department of Energy Policy. The Fund Manager shall establish reserves for depreciation and report to the Board any use of such reserves to replace capital equipment.

(4) Anticipated accumulation of losses by an individual business line shall be reported to the Board in accordance with Section V. B. of these procedures.

[14] The 1997 Inspector General audit of the Fund recommended, AThe Fund Manager should establish a policy to address the disposition of excess funds and shortages, the use of business line excess funding to cover other business line shortages, the use of uncosted balances transferred into the Fund, and an acceptable level of carryover to the next fiscal year that is consistent with the expectations of the Subcommittee on Energy and Water Development.@ This section is intended to satisfy this 1997 Inspector General recommendation. It does not establish specific quantitative targets, because the Fund business lines are of very diverse sizes. Rather, it uses the concept of Amateriality@ and focuses on the avoidance of continuing accumulations of balances and shortages in any one business line.