

**WORKING CAPITAL FUND BOARD
MINUTES OF THE MEETING
February 27, 2002**

(1) Introduction

The Board Chair, Howard Borgstrom, called the meeting to order. Howard presented Ingrid Robinson with a plaque honoring her contribution to the sound financial management of the Working Capital Fund.

(2) Approval of Minutes, December 5, 2001 Meeting

The Board approved the minutes of December 5, 2001 WCF Board meeting without objection.

(3) Board Membership

Attached to the meeting hand out is a copy of Deputy Secretary Blake's new appointments to the Working Capital Fund Board. It effects the membership of NA as a single entity and the addition of the Office of Chief Financial Officer and the Office of Independent Oversight and Performance Assurance.

(4) FY 2002 First Quarter Report

Howard Borgstrom addressed the Board concerning the FY 2002 First Quarter Report. The fund experienced net earnings of \$0.4 million for the First Quarter. The report, which was handed out at the meeting, includes the explanation of this financial performance. Customer advances are adequate to finance Fund operations and the Fund Manager reported no violations of administrative controls of funds.

(5) Survey of Employees

Attached to the meeting hand out is a copy of Deputy Secretary Blake's approval to use the Fund to finance the DOE-wide Organizational Assessment Survey.

The Secretary and Deputy Secretary have discussed management initiatives at the meetings of the Management Council. We are not aware of all of the initiatives being discussed but some impact the Fund and Fund businesses. The Board will be informed as soon as we become aware of items that impact the Fund.

Issues of concern to Board members include: Will the use of payroll funds to pay for the employee survey result in future assessments to replace the payroll funds? Does this action require a reprogramming of WCF funds? Does it fulfill the intent of Congress, that is, "not a slush fund"? Would this use pass muster in the event of an audit by the IG? Will senior management take full advantage of the Board

in its advisory capacity?

(6) Draft Legislation

The OMB is circulating draft legislation titled “**Budgetary Cost and Performance Integration Act of 2002**” which proposes among other things the creation of working capital funds in each CFO agency for all central goods and services. This proposal would include salaries and related expenses and would allow businesses to retain up to 4% of earnings for working capital. This could potentially impact FY 2004 budgets, however, notice may be too late to inform the Corporate Budget submissions. In many ways the proposal resembles the DOE Fund, but it puts OMB in charge of decisions related to business that operate at a loss. It also requires that businesses undergo a competitive sourcing study every five years. The proposed legislation has attracted significant administration opposition and is being altered to satisfy various interests. We will keep the Board apprised of future developments.

(7) Review IT Cost Structure

Desktop business line managers briefed the Board on their plan to eliminate losses in the business. They asserted that the business needed more funding to accommodate changes in the business since FY 1996 and rate increases which they had been unable to pass onto the customers. They demonstrated where they had cut costs. They also related their experience with the working group in recent meetings. The CIO and the working group had taken differing positions, which could not be reconciled prior to the Board meeting.

There was extensive discussion concerning differing views of the business model for desktop. The Board needed more information before making a decision. Bill Sylvester indicated that a decision could wait. As a result the Board asked the working group to determine what are the critical issues related to desktop pricing and submit those questions to the CIO and Board members within two weeks. This will allow all parties the opportunity to evaluate these issues prior to the next meeting.

(8) Progress Report on Payroll Outsourcing to GSA

George Tengan, Capital Accounting Center, presented status of the outsourcing. GSA identified 65 gaps and they with Booz Allen Hamilton are evaluating the cost to close those gaps. The next meeting with GSA is March 7 and the business will convene the working group to discuss the negotiations related to closing the gaps.

(9) The Board voted to adjourn.

Representing the Board:

ME	Howard Borgstrom	GC	Susan Beard
SC	John Rodney Clark	FE	Gail Stern
EI	Steve Durbin	EE	Richard Budzich
SO	Diane Friis	OA	Lesley Gasperow
NA	Roger Lewis/Michael Kane	PI	Jon Mathis
CIO	Bill Sylvester	NE	Wade Carroll

ATTENDEES:

Ann Warnick - IM	Ingrid Robinson
Richard Minning - IM	Roscoe Harris
Coreen Leonard - IM	Peggy Robinson
Laura Brown - PA	John Harrison
Barry Schrum - IG	Willie Mae Ingram
Kent Hibben - HG	Tony Nellums
Camille Jagessar - PI	Enid Levine
Maria Northington - CI	Michael Frazer
Lang Soo Hoo - NE	Jeffrey Rubenstein
Dan Pitton - EM	Kathryn Schanck
Gordon Errington - IM	George Tengan
Jeanne Beard - IM	
Penny Gardner - IM	
Dee Barnes - IM	

ME
Bob Emond