

WORKING CAPITAL FUND BOARD
MINUTES OF MEETING
NOVEMBER 25, 1997

The meeting was brought to order by the Chair at 1:30 p.m.

Attendees: See attached list.

(1)
INTRODUCTION

Archer Durham, Board Chair, opened the meeting and welcomed participants.

(2)
APPROVAL OF MINUTES OF THE SEPTEMBER 16, 1997 MEETING

The Betty Smedley, representative of the Chief Financial Officer, asked for the inclusion in the draft minutes of a note regarding the possible need to make changes in Board adopted financial policy subsequent to several of the program organizations getting annual money instead of no year money for FY 1998. After discussion the Board approved the draft minutes of the September 16; 1997, meeting with the inclusion of the suggested changes.

(3) **BOARD COMPOSITION, 1998**

The Chair noted that Board membership appointments have been for calendar year periods, and that the Deputy Secretary will soon need to have recommendations in hand regarding new appointments. The Chair asked the Board Secretary to review various CY 1998 membership options for the Board. Options presented were:

- (1) "Normal" rotation: Nine member Board consisting of three standing members (HR-chair, CFO & GC); four "cluster" members, and one each from a small customer and a representative of the Departmental Administration account.
- (2) Expanded membership:
 - Include smaller customers who have not yet served.
 - Include all major customers who have rotated off the Board after 1996 and 1997.

After discussion the Board agreed to recommend to the Deputy Secretary that membership be expanded to include all interested large customers. The Secretary will poll the customers and , draft the recommendation. The Secretary asked, and the, Board agreed, that the minutes reflect continuation of the current membership of the Dispute esolution Council to allow; that organization to resume operation if and when needed.

(4)

INSPECTOR GENERAL AUDIT

The Chair noted that subsequent to the last Board meeting, the IG issued its final report, and that CFO and HR were drafting the management position on the five recommendations. He asked that the Secretary provide Board members with a summary of the management position. The Secretary provided the Board with copies of the IG audit final report on the Fund entitled "Audit of the Internal Control Structure for the Department of Energy's Working Capital Fund," and the latest draft of the management response to the IG's findings. Management concurs with the findings in the report, but the Secretary, pointed out the following

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One of the findings concerns the contract audit services which are no longer part of the Fund. HR and the CFO were working off-line to resolve the IG's concerns:

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The IG recommends that the Fund should identify, all direct and indirect costs associated with the Fund, and provide the information to the fund. The Fund management will do a full-cost simulation after the first quarter of the FY and provide that information to the Board.

After a brief discussion, the Board approved the draft management position.

(5)

FY 1997 RESULTS

The Chair noted that the Fund has just completed its first full year of operation, and that his staff had been working with that of the CFO to develop and interpret the results. He asked the Secretary to discuss the findings. The Secretary provided a report to the Board that was similar in format to the quarterly reports previously provided. Among the points raised were the following:

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In general the Fund is financially healthy, with FY 1997 earnings covering costs within 1%.

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In FY 1997, Desktop, Supplies and Postage generated less revenues than expected.

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FY 1998 forecasts for Desktop indicate appear to be lower than expected: This was due to a weak demand for subscription repair service apparently caused by a majority of desktop units at HQ being less than two years old and still on warranty.

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FY 1998 demand for Contract Closeout Services is 28% higher than expected.

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Fund management will provide new FY 1998 ,estimates after, the OMB Passback.

- Customers are paying bills in a timely manner due to the results of the Fund's Dispute Resolution Process.
- There were a number of efficiency' gains attributable to the Fund.
- Despite improvement, there is still a need to improve the Fund's financial and information systems and processes. Quarterly cost accruals were mentioned as a possible improvement.

(6)
WCF GUIDE

The Chair asked Fran Feiner of his staff to brief the Board on the FY 1998 edition of the "Bluebook:" Fran provided the Board with a brief overview of the document and noted that -all meeting participants were given a copy of the Working Capital Fund Guide to Services, Policies and Procedures as the "Bluebook" is now called. The Guide is loose leaf for ease in updating and has been redesigned to enhance its customer orientation and utility:

The Chair commended the Secretary and his staff on the Guide, and asked Board members to identify what need they may have for additional copies.

(7)
PRICING POLICY REVIEW: PAYROLL PROCESSING AND ELECTRONIC SUPPORT

The Chair noted that the Fund's pricing methodologies appear to be in good shape; but his staff, had identified a couple of areas where clarification may be warranted. A working group cochaired by Myrna Vallette (ER) and Mary Ann Wallace (HR-4) has reviewed the two areas and he asked that they share their findings with the Board. Mary Ann summarized the group's findings:

Electronic Support:

- In FY 1997; the Building Occupancy business line included \$1.175 M for contractual funding for .electronic support services. The Services were provided through the Office of Administrative Services. In mid-year an HR reorganization placed the functions with the Office of Information Management.
- The working group examined the desirability\feasibility of reengineering the pricing methodology for these services, and decided that a lack of detailed usage data hampered the making of a sound

decision. The group decided to recommend to the Board that the pricing policy remain unchanged through-FY 1999 to allow the service provider to collect relevant data to facilitate the development of alternative pricing policies.

Payroll Processing:

- In FY 1998 the Board added "Payroll Processing -and Personnel" as a new business line to cover the cost of contractual services associated with the planned outsourcing of the DOE payroll processing to the interior Department. Organizations were to be billed based on the number of on-board employees at the beginning of the FY. The Department subsequently canceled plans to outsource to Interior, and is considering various options to link a new payroll system to, ongoing efforts to automate other personnel functions.
- The working group reviewed the business lines' current situation and decided to recommend to the Board that due to uncertainties, surrounding the final costs of the, services and the service provider, that current pricing policy and business structure be retained for FY 1999.
- The working group also believes that the Board should be made aware of some potential concern regarding the business, and Mary Ann asked that Todd Turner of the CHRIS project, brief the Board on these. Todd reviewed the history of the business line and its relationship to the CHRIS project. At present there is a memorandum pending with the Deputy, Secretary that will set the future course of the project and determine its costs. If the Deputy Secretary decides to pursue an external source, the business could experience a \$1.4 M deficit in FY 98 and \$1.8 M in FY 99. If congress does not provide the CIO with FY 99 investment funding; the business will have an additional \$1 M shortfall.

(8) NEXT MEETING

The next Board meeting has not been scheduled.

**(10)
OTHER MATTERS**

Mike Mescher of WT asked the Secretary when the Board might see results of the first quarter of FY 98. The Secretary replied that the board could expect to see them in February 1998.

(11) ADJOURN

The Board adjourned at 3:10:

BOARD:

Archer Durham - HR (Chair)	Steve Durbin - EI
Geoff Judge - EH	Chuck Roy - FE

Steve- Smith - FM
Elizabeth Smedley.- CR
Absent - DP
Tom Ryder - NN

Mike Mescher - VAT
Ralph Goldenberg - GC
John Clark - ' ER
Howard Borgstrom - **Board Secretary**

OTHER PARTICIPANTS:

HR: Steve Perrin
Pete Richards
Marcia Morris
John Harrison
Mary Ann Wallace
Mike DiStephano
Todd Turner
Ann Warnick

Fran Feiner
Dean Smith

Roscoe Harris
Woody Hall

CP: T. J. Hopkin's
CR: Woody Fisher
Bill White
Jack Lopez,

ED: Linda Rudnick
EH: Leslie Gasparow ,
EI: Dan Woomer
ER: Myrna Vallette
EM: Dan Phillips
HG: Bryan McPherson
NE: Lang Soo Hoo
NTEU: Al Knight