

**WORKING CAPITAL FUND BOARD
MINUTES OF MEETING
FEBRUARY 26, 1998**

The meeting was brought to order by Acting Chair Thomas Tamura, acting in the absence of Archer Durham, at 1:30 p.m.

Attendees: See attached list.

(1) INTRODUCTION

Mr. Tamura opened the meeting and welcomed participants, including special guests LeeAnn Inadomi of the Office of the Secretary, Steve Hilton and Dan Ennis of the Central Intelligence Agency, and Jill Schulman and Jeff Smith of the Office of the Inspector General, Scott Chayette and Al Knight of the NTEU. The Chair also welcomed new Board members Peg Weathers from the Policy Office and John Kotek representing Nuclear Energy.

The Chair took a few minutes to highlight some of the efficiencies the Department has realized from Fund operations through the first quarter of FY 1998, particularly in the areas of telecommunications and copying.

(2) APPROVAL OF MINUTES OF THE NOVEMBER 25, 1997 MEETING

The Board approved the draft minutes of the November 25, 1997, meeting.

(3) BOARD COMPOSITION, 1998

The Chair noted that this was the first meeting of the 11-member Board approved by Deputy Secretary Moler for CY 1998. The new membership includes:

- C The three standing members, HR, GC, and the CFO;
- C Four continuing members whose terms did not expire at the end of CY 1997, EH, FE, NN and WT;
- C Two former Board members, EIA and ER; and
- C Two new members PO and NE.

The Chair recognized the two Board members who decided not to seek an extension of their terms, specifically DP, represented by Ed Inge, and Field Management, represented by Steve Smith. The former members were complemented for their efforts throughout the successful startup of the Fund. Ed and Steve were presented with WCF mugs as mementos of their service on the Board.

(4) **INSPECTOR GENERAL AUDIT**

The Chair stated that the Assistant secretary for Human Resources and Administration had submitted to the IG the Final Management Decision on the Inspector General Report on their FY 1997 audit of the Fund, and that the IG subsequently accepted it as responsive to the items noted in the audit. He further noted that the actions are now in the DARTS system.

The Chair then asked the Board Secretary to brief the Board on the IG recommendation that the Fund adopt a policy of periodic comparisons of actual costs and contractual obligations to the estimates for customer billing. The Secretary presented Board members with a draft policy on procedures for quarterly reviews and discussed its key elements. Board members were asked to review the policy in detail and provide comments to the Secretary by March 16, 1998 so that a revised version could be approved at the March meeting.

(5) **FY 1998 FIRST QUARTER RESULTS**

Mr. Tamura noted that we are in the second quarter of FY 1998, and in line with the IG recommendation on periodic reviews, the Fund staff had prepared a quarterly review of Fund performance. He asked the Board Secretary to summarize the results. The Secretary presented the Board with the report in two formats: 1) A report in the format set forth in the draft quarterly review policy, and 2) the format utilized in previous reports. Highlights of the reports include:

- C Overall the Fund broke even in the first quarter. Earnings were \$21 million and costs were estimated at \$19 million, but \$1.7 million in advances to the Payroll and Personnel business were earmarked for use in the latter part of FY 1998.
- C Two businesses had financial losses:
 - Supplies: Due to high operating costs of two satellite stores in comparison to sales volume, this business line lost \$124 K. Alternative arrangements with affected customers are being discussed to alleviate this situation.
 - Desktop: The maintenance product line of this business line lost \$138 K due to a dramatic drop in service subscriptions. Contractor staffing was not downsized quickly enough to align resources with demand. Contractor staff has now been reduced and it is believed that earnings and costs are in line for the second quarter.
- C Customers have advanced an estimated 98% of annual requirements. Of this, HR has advanced considerably more than its likely requirements. Six of 30 customers, four of which are represented on the Board, have advanced less than 90% of their projected requirements. The Fund staff will be contacting these customers in the near future to ensure that there is a common understanding of payment procedures.
- C There have been no violations of administrative control of funds procedures by WCF business lines.
- C Changes have occurred in budget estimates between the original FY 1998 Budget estimate and current estimates. First quarter results show reductions in usage patterns for the

Desktop business line (reduction in maintenance subscriptions), and Printing and Graphics (growing use of "direct cite" funds for placing printing orders).

No major pricing policy changes are required for FY 1998. The Board has authorized the Fund manager to reduce prices, and it is expected that there will be a reduction in the cost of mail stops. Telephone infrastructure issues, including year 2000 (Y2K) compatibility and depreciation expenses, are to be addressed by a new Information Management Working Group.

The Board engaged in a brief discussion on the use of program funds to pay for WCF services, but no decision was forthcoming. It was agreed that the Fund staff would work with the CFO to clarify this matter.

(6) FY 1999 CONGRESSIONAL BUDGET

The Board Secretary presented members with copies of the FY 1999 WCF Budget recently submitted to Congress.

(7) ANTICIPATED BUSINESS PLANNING ISSUES

The Chair stated that there are a number of planning and policy issues that will require Board attention over the coming months, and he asked the Secretary to discuss a tentative schedule for addressing the issues. The Secretary provided members with a list aligning these issues with projected Board meeting dates. Addressed were: IG audit report follow-up items; FY 1999 and 2000 pricing policies for corporate electronic services, certain administrative services, and communication charges, *DOE this Month* costs; and accounting for Federal salaries and other indirect costs.

Concerning the Federal salaries issue, Steve Durbin of EIA asked whether HR was collecting data to simulate Fund costs if Federal salaries were included in the Fund. The Secretary answered in the affirmative, and added that HR was doing this in accordance with an IG recommendation that the Board should be kept informed of the true costs of Fund activity.

Chuck Roy of FE inquired as to the status of the Payroll & Personnel business line. Betty Smedley of the CFO reviewed activities associated with developing a new payroll and personnel system. The Deputy Secretary directed that an integrated system, satisfying both payroll and personnel requirements of the Department be acquired or developed in-house. As an interim measure, steps are being taken to ensure that the present PAYS/PERS system is Y2K compliant. Assessment of alternatives for a new system are underway.

(8) MEETING PLANS

The next Board meeting has been scheduled for Tuesday, March 24, 1998, at 1:30 P.M.

(9) **OTHER MATTERS**

John Harrison, Administrative Services Fund Manager, informed the Board of the availability of a WCF Training Seminar to be held March 30, 31, and April 1 in Germantown, and April 7, 8, and 9 in Forrestal. Board members were encouraged to nominate staff to attend. A significant number of class openings will be reserved for Fund customers. Nominations were to be sent to Pete Richards. Selected participants will be notified by E-mail when the roster is finalized.

(10) **ADJOURN**

The Board adjourned at 2:45.

BOARD:

Thomas Tamura - HR (Acting Chair)	Betty Smedley - CR
Ralph Goldenberg - GC	Peg Weathers - PO
Steve Durbin - EI	Geoff Judge - EH
Chuck Roy - FE	Mike Mescher - WT
John Alleva - ER	Nancy Holmes - NN
John Kotek - NE	Howard Borgstrom - Board Secretary

OTHER PARTICIPANTS:

HR: Pete Richards	Howard Lewis
Dean Smith	Nancy Tomford
Roscoe Harris	Jeff Rubenstein
Woody Hall	Doug Bielan
John Harrison	Amos Street
Mary Ann Wallace	CP: Laura Brown
Virginia Bitter	CR: Woody Fisher
Brian Costlow	Jean Morgan
Laurie Smith	Jack Lopez
Linda Sye	EE: Frank McCann
Bobbie Tierney	EH: Leslie Gasparow
Ronald Shores	EI: Dan Woomer
Diane Friis	EM: Dan Phillips
Tony Nellums	FE: Gail Stern
Vince Brooks	HG: Bryan McPherson
Juanita Pang	IG: Barry Schrum
Willie Mae Ingram	NE: Lang Soo Hoo
Charlie Morris	NTEU: Al Knight
Bill Talbot	Scott Chayette
Denise Diggin	PO: Camille Jagessar
George Hofman	RW: Bernie Hite

CHIEF FINANCIAL OFFICER COMMENTS ON DRAFT MINUTES

Item Number 5. Last sentence is incorrect. This sentence indicates that it was agreed that the Fund staff would work with the CFO to clarify the use of program funds to pay for WCF services. This is incorrect. The sentence should be deleted and replaced with the following:

Betty Smedley pointed out that we had not sought or obtained Congressional permission to use program (mission) funds to pay for WCF services. We only sought and obtained permission to use program funds to pay for DCAA audit services. Use of program funds to pay for WCF services would require going back to Congress to obtain permission.