

7/19/91

SUBJ: FAA INVOLVEMENT WITH THE DOT WORKING CAPITAL FUND

1. PURPOSE. This order prescribes the responsibilities of organizations or individuals whose functions encompass specific activities under the purview of the Working Capital Fund (WCF) or who are involved with the WCF in general. This order is also intended to serve as a reference document for employees desiring descriptive information on the functioning of the WCF. Orders DOT 1700.8, Working Capital Fund, and DOT 1120.36, Working Capital Fund Board, are implemented by this order.

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2. DISTRIBUTION. This order is distributed to the director level in Washington and the Aeronautical Center.

3. BACKGROUND.

a. The Department of Transportation Act (P.L. 89-670) which created the Department of Transportation authorized a working capital fund to finance maintenance and operation of common administrative services within the Department. Provisions of this law stipulate that the WCF be free from fiscal year limitations and that agencies and offices of DOT reimburse the WCF in advance for services to be provided, depreciation of equipment, and the accrual of annual leave.

b. Order DOT 1700.8 established the WCF in 1967 and stated as policy that "...An administrative service required by more than one organizational component of the Department ... will be placed under working capital fund financing and management, wherever an evaluation of the relevant factors makes it evident that economies without a derogation of service, or improved service without offsetting increases in cost, will accrue..." The number of administrative services under WCF financing has grown from two initially to over 30 as of FY 90. The number of participating organizations has also grown and now includes, in addition to all OST offices and operating administrations, a number of agencies and instrumentalities of the U.S. Government outside of DOT although in dollar terms their participation is minimal.

c. Over the last few years, several significant modifications have been made to WCF management and administration. A WCF division was created within the OST Office of Financial Management to consolidate day-to-day WCF management in the OST within a single organization. Order DOT 1120.36, Working Capital Fund Board, established the WCF Board "...to provide a forum to identify and discuss major issues and changes that improve the efficiency, effectiveness, and economy of WCF services..." The DOT WCF Board consists of the Assistant Secretary of Administration or designee as chairperson, the Director of Financial Management as executive secretary, one member from each DOT operating administration, and four members from specific organizations within the Office of the Secretary. More recently, the Assistant Secretary for Administration asked each Board member to designate a WCF liaison to be responsible for procedural and operational matters thereby freeing Board members to concentrate on policy matters. The FAA WCF Board member asked the Office of Management Systems to take on the function of WCF liaison.

4. DEFINITIONS.

a. Activity—a WCF budgeting or billing line item. Activities can represent specific or general categories of services or products financed through the WCF. "Imprest Fund" is an example of a specific activity in contrast to "TCC" (Transportation Computer Center) which encompasses a range of services (e.g., data processing, systems development, training) provided by that organization.

b. OPI (office of primary interest)—an office or service which has budgeting and fund control responsibility for one or more programs used to fund WCF activities.

5. DESCRIPTION OF THE WCF BUDGETING AND BILLING CYCLE.

a. Formulation of the DOT WCF budget begins approximately 18 months prior to the start of the year to which it pertains. The cycle begins with the issuance of the WCF budget call to OST offices which administer activities financed through the Fund. Where applicable, activity budget projections are developed by OST program offices in conjunction with their counterparts in the operating administrations. The WCF division later consolidates these projections and publishes a "Distribution of Costs" report which displays, by DOT operating administration and WCF activity cross tabulation, total expected billing amounts for the budget year. Changes in billing estimates will result in the issuance of revised "Distribution of Costs" reports at any time during the period beginning with the first cyclical report and ending with the start of the fiscal year to which they pertain. Moreover, because of the length of the cycle, the WCF Division typically disseminates two reports at a time, one for the forthcoming year and one for the following year.

b. OST provides the reports to the operating administrations so that they can incorporate these estimates in their respective budget submissions. By doing so, the operating administrations can request sufficient funding through their individual appropriations to pay for the amounts they will be billed through the WCF. Figures provided by OST are also used by the FAA Office of Budget to prepare tabular and textual materials for inclusion in the Operations Appropriation justification documentation. This material is for information purposes only because FAA WCF requirements do not constitute a discrete element within the budget but rather are distributed throughout the Operations Appropriation program structure.

c. Aggregate billing projections form the basis for the DOT WCF budget request. Inasmuch as the WCF is largely financed through charges to customers, the main purpose of this request is not to seek funding from Congress but rather the authority to obligate monies advanced to the Fund by its customers. Although the WCF was conceived without an obligational restriction, every year since FY 78 the Congress has imposed a ceiling on the amount of money the WCF can obligate. In addition to requesting an overall obligation ceiling, OST also normally requests a relatively small amount of appropriated funding for the WCF for capitalized acquisitions and other non-recurring expenses.

d. Around the beginning of each fiscal year, the FAA makes advance payments to the WCF by means of the On-Line Payment and Collection (OPAC) process. OPAC fund transfers are then repeated, in varying amounts depending on a number of factors, throughout the remainder of the year. The amount of funding collected via OPAC must be sufficient to cover projected expenses to the WCF as a result of FAA use of activity services and products.

e. Also around the beginning of each year, FAA OPI's ask the Office of Accounting to establish obligations for WCF activities for which they are responsible. If the initial obligation is for one quarter, this exercise will be repeated for the remaining three quarters of the fiscal year. The obligation levels are based on the billing projections issued by the WCF Division prior to the beginning of the year.

f. As the FAA uses, and is billed for, services and supplies provided through the WCF, the OPAC advance is reduced. The amount of the reduction is shown on the transmittal memoranda for the monthly WCF bills sent to the Office of Accounting. On the basis of these monthly bills, the Office of Accounting charges the obligations established by the OPI's for their respective WCF activities. The Office of Accounting also tracks OPAC advances as reported by the Departmental Accounting and Financial Information System (DAFIS) and aggregate WCF charges as reported on the monthly bills.

g. All WCF activities do not necessarily appear as line items on every monthly bill because some activity expenses are infrequently incurred or new activities may be added after the year has begun. Moreover, WCF bills do not break down charges below the activity level so it is not possible to associate portions of a charge with specific types of services or products in cases where the activity is general in nature. Lastly, the date of the bill reflects only the month in which the WCF paid for services or products, not when these services or products were ordered or consumed as may be documented in OPI records. WCF bills are based on costs, not obligations. Therefore, it is possible, as in cases where vendor payments are significantly delayed, that monthly WCF bills will include costs for services or products ordered and provided months before. The cost basis of the WCF may also result in a highly uneven pattern of charges throughout the year in cases where vendors are paid under contract for WCF services or products. To offset severe fluctuations in monthly charges resulting from infrequent large payments on contracts, the WCF attempts to accrue these costs across an entire year where possible.

6. DESCRIPTION OF THE WCF CAPITALIZED EQUIPMENT REQUIREMENTS REVIEW PROCESS.

a. Costs for new and replacement equipment and other capital assets are provided through the WCF by means of both Congressional appropriations and cash reserves in the Fund's equity account. Plans for specific acquisitions over \$50,000 per purchase are typically consolidated by the WCF Division into a capitalized requirements review package several months before the beginning of each fiscal year. These packages contain fact sheets for each planned acquisition and cost data for one to three years depending on the length of the procurement. Standard fact sheet format includes, in addition to cost estimates, a description of the equipment and an assessment of the fiscal and operational impacts.

b. Annual capitalized requirements packages are circulated within DOT through the DOT WCF Board members for their review and action. Three actions are possible: Approval, disapproval, or a request for further discussion. Because of the technical nature of many proposed equipment purchases and the broad range of WCF activities for which asset acquisitions may be required, the FAA Board member distributes fact sheets to appropriate OPI's for their review and advice prior to taking official action. Final decision by the Assistant Secretary for Administration on capitalized acquisitions over \$50,000 is based on: (1) Actions noted by the DOT WCF Board members on the fact sheets returned by them. (2) Subsequent discussions, if necessary, at the periodic board meetings.

c. Monthly charges for capitalized acquisitions are based on the straight-line depreciation schedule established for each purchase. Normally, a capitalized acquisition is for an existing WCF activity and therefore the depreciation charge is included within the total charge for that activity.

7. DESCRIPTION OF DOT WCF BOARD FUNCTIONS. Involvement of the DOT WCF Board in matters other than capitalized requirements is at the discretion of the Chairperson but typically includes the addition of new, or deletion of existing, WCF activities, changes in how costs are to be apportioned, and the overall financial status of the Fund. In cases where consideration is being given to the addition of new WCF activities, the FAA Board member will seek the advice of affected OPI's as is done during the capitalized requirements review process.

8. FAA WCF RESPONSIBILITIES. This section outlines significant tasks and functions of organizations and individuals having responsibilities relating to the WCF. Because it is an outline, this list is not intended to be exhaustive nor is it intended to provide detailed guidance on the administration of programs wholly or partially financed through the WCF. Detailed guidance on budget formulation and execution as well other aspects of Headquarters program administration can be found in agency directives.

a. Associate Administrator for Administration:

- (1) Designates the FAA WCF Board member, alternate board member, and FAA WCF liaison.
- (2) Designates OPI's for new WCF activities.
- (3) Approves changes to assignments of OPI responsibility for existing WCF activities.

b. Office of Budget:

(1) Develops materials pertaining to the WCF required for inclusion in agency budget justification documentation.

(2) Ensures that OPI's, the Office of Accounting, the FAA WCF Board member, and the FAA WCF liaison receive copies of all "Distribution of Costs" reports and related materials sent by OST.

c. Office of Accounting:

- (1) Establishes obligation accounts for WCF activities as requested by the OPI's.
- (2) Liquidates OPI obligations based on charges shown on the monthly WCF bills.
- (3) Tracks WCF OPAC advance and WCF charge balances.
- (4) Serves as OPI for assigned activities.

d. Office of Management Systems (WCF liaison):

- (1) Serves as principal contact person between FAA and OST on FAA WCF procedural matters.
- (2) Coordinates review by OPI's of planned capitalized expenditures and other proposals pertaining to specific WCF activities.
- (3) As requested or needed, provides assistance and information to the WCF Board member.
- (4) As requested, provides assistance to OPI's in resolving problems with the WCF budgeting and billing process.
- (5) Analyzes the effectiveness and efficiency of WCF administrative policies and procedures.

(6) Maintains lists of OPI and OST WCF contact persons.

(7) Develops recommended actions for assignment or reassignment of OPI responsibility for WCF activities.

e. OPI's:

(1) Calculate initial activity budget projections in conjunction with OST offices administering assigned activities.

(2) Resolve any differences between WCF budget estimates developed by OST and estimates developed by the OPI's.

(3) Request the Office of Accounting to establish WCF obligation accounts for assigned activities.

(4) Adjust obligation accounts as necessary to ensure levels are sufficient to cover projected WCF charges.

(5) Audit WCF bills to assess their accuracy.

(6) Resolve any discrepancies in WCF bills by contacting the WCF Division and appropriate OST offices.

(7) Track and compare cumulative activity bills with annual projections from the "Distribution of Costs" report.

(8) Advise the FAA WCF Board member on proposed capitalized acquisitions, policy options for new or existing activities, or other issues specific to assigned activities.

(9) Inform the WCF liaison of any problems of a procedural nature with the WCF, for example, communications difficulties between FAA and OST.

f. FAA WCF Board Member (or alternate if substituting for the regular member):

(1) Serves as principal FAA representative on WCF matters.

(2) Performs duties and functions required of WCF Board members as determined by the Chairperson including casting the FAA vote on decisions put before the Board.

(3) Advises the Associate Administrator for Administration on assignment of OPI responsibility for new WCF activities and reassignment of responsibility for existing activities

9. PROCEDURES FOR ASSIGNMENT OF NEW WCF ACTIVITIES TO OPI'S.

a. Whenever the scope of the WCF is expanded, budgeting and fund control responsibility for each new activity must be assigned to an OPI. The following process is established for the submission of recommended actions to the Associate Administrator for Administration regarding assignment or reassignment of responsibility for WCF activities.

b. If a new activity is placed under WCF funding, the Office of Management Systems should be notified. The source of this notification depends on how and when the decision to expand the WCF is made. Normally, the FAA WCF Board member and the WCF liaison will first learn of a new activity through communication with OST memorandum.

c. After developing expected costs and other important information and data, the Office of Management Systems will make a tentative determination of the most appropriate FAA office to serve as OPI based on an assessment of how closely the new activity resembles activities currently assigned, organizational functions as described in Order 1100.2C, Organization-FAA Headquarters, and budget program responsibilities as described in Order 2500.10R, Operations Appropriation Call for Estimates. In conducting this analysis, the Office of Management Systems will solicit the views of prospective OPI's, the FAA WCF Board member, and other sources of assistance and will seek preliminary acceptance of OPI responsibility were possible.

d. Once a determination of OPI responsibility has been made, a memorandum to the Associate Administrator for Administration will be prepared for the signature of the FAA WCF Board member. This memorandum will be routed through the office recommended for designation as OPI for concurrence. In the event of non-concurrence, an explanation will be attached to the memorandum.

e. Following approval of OPI responsibility, the designated office will be notified to take appropriate action to ensure that budget formulation and execution decisions reflect the additional resource requirements for the new activity.

f. The process for reassigning responsibility for existing WCF activities will be substantially the same as the process for assigning responsibilities for new activities although the initiating office will normally be an OPI.

10. PROCEDURES FOR OPI REVIEW OF PLANNED CAPITALIZED ACQUISITIONS. The FAA WCF liaison will coordinate the OPI review of capitalized acquisition fact sheets sent to the FAA Board member for recommended action. This coordination will involve sending fact sheets to appropriate OPI's for comment, working with the OPI's to facilitate resolution of any questions or problems, and, after receipt of the comments and recommended actions from the OPI's, combining them into a package to be sent back to the board member. A fact sheet returned to OST by the FAA Board member with a request for further discussion may generate subsequent information exchanges between an OPI and the OST office responsible for the planned acquisition. If an OPI believes that subsequent information provided by OST warrants a change in the FAA vote, the OPI should inform the board member through the liaison of the new recommended action and document the additional information that was received as a result of the request for further discussion. The board member may then formally change the FAA vote by submitting a revised fact sheet to OST.



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