



Using a Working Capital Fund for IT

The Use and Benefits of a Working Capital Fund for Consolidated IT Services in the U.S.
Department of State

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U.S. Department of State, Bureau of Resource Management

Executive Summary

In 2007, the Secretary of State directed the Department to consolidate domestic workstation support under the Chief Information Officer. At that time, user and technical workstation support was provided by twenty-seven separate organizational units.

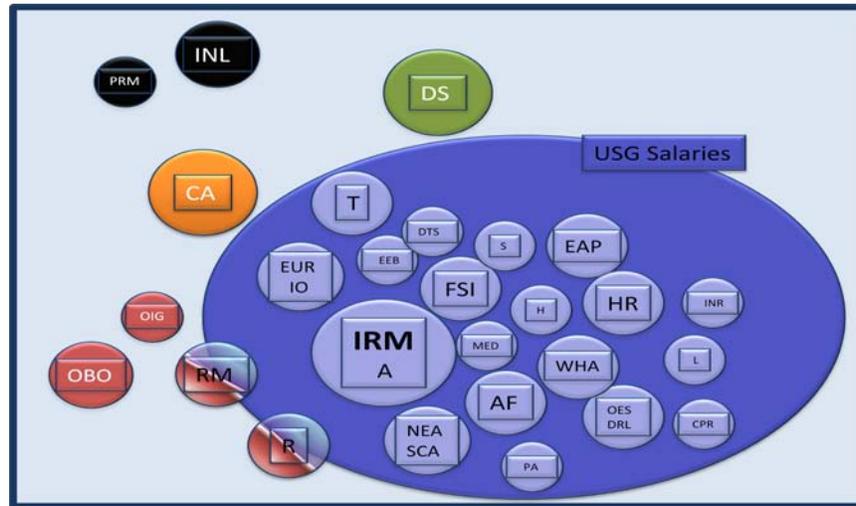
The use of a Working Capital Fund (WCF) facilitated this transition. The Department's legislative authority for providing services by means of a WCF pre-existed the consolidation decision. Using the WCF permitted the Department to affect the transition to consolidated IT desktop support with the concurrence of OMB and notification to Congress of some aspects of the transition. The no-year WCF allowed the new IT Consolidated Services Cost Center the flexibility to set the number of government employees and to carry forward into future years the funds that would replace capital equipment when required. Further, the fee-for-service model that the WCF provides keeps the responsibility for funding within the bureaus that consume the services, involving them through a representative advisory group that oversees the level and quality of service provided to all.

The subject of this paper is the budget execution challenges and solutions that occurred throughout the transition from twenty-seven separately funded organizations to one primary and four residual organizations that exist today.

Challenge

Before IT Consolidation, desktop support was provided to the various bureaus from operations funding. The bureaus were funded from two appropriations bills, multiple appropriations within these bills, as well as fees and other non-IT Working Capital Funds. If funding from all these sources had to be reprogrammed to the CIO's organization, it would have required multiple congressional notifications and potential appropriation law complications as well as likely separate reimbursement arrangements for the fee and non-IT WCF accounts.

Funding IT Support Before Desktop Consolidation



Most bureaus were funded from the main operating account (in blue, above), with salaries for government employees managed by the central budget office. FTE that moved to the WCF IT Cost Center were to be paid from WCF funds available from invoice revenue. As these bureaus released their FTE to the CIO's WCF IT Cost Center, the salary amounts had to be provided to customer bureaus. The amount provided was not to exceed the resources required to pay the WCF invoices. This created complicated challenges to determine how much a bureau's invoice would be, what resources they already had available to devote to the invoice and the balance needed.

Solution

Bureaus that completely controlled their own resources realigned funds within their organizations to pay their WCF IT Cost Center invoices. The WCF, in and of itself, eliminated the need to transfer resources to the CIO's organization to provide desktop support. From a budgetary standpoint, this was no different than if the bureaus had moved from internally providing a service to instead buying it from a vendor.

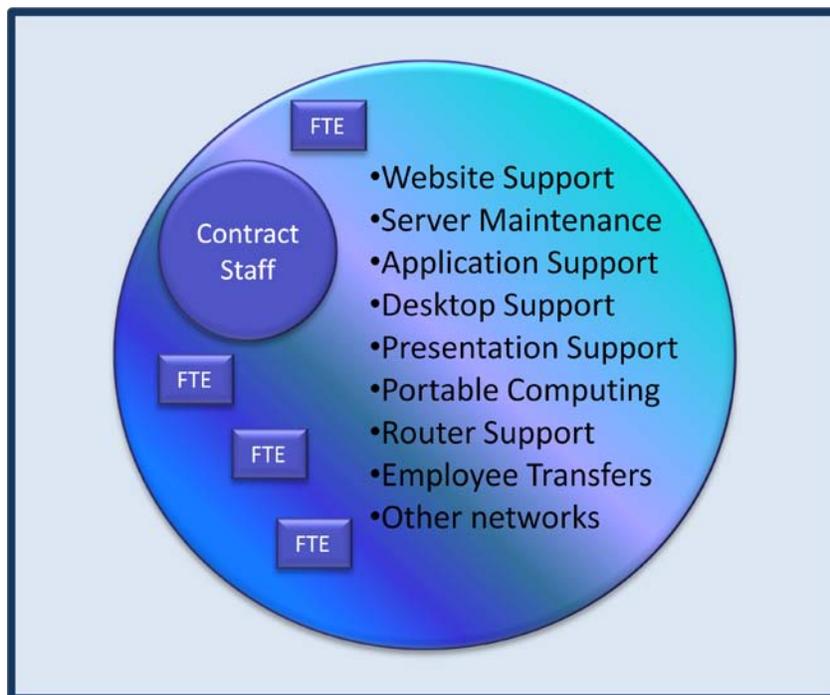
But most bureaus were funded from within a single, primary operating account, with its centrally managed salaries. Therefore, salary funds had to be distributed to those bureaus. The FTE positions moved from bureaus to the CIO's organization were the subject of congressional notification.

The obstacle to reprogramming resources was not knowing how much of the salary resources should be made available to which primary operating account bureaus. The formula was simple enough:

$$\text{Resources to be provided to a bureau} = \text{WCF IT Cost Center Invoice} - \text{existing resources}$$

Existing resources were available within the bureaus from reduced contract requirements, reduced support costs (e.g., parts purchases) and reduced staff support costs as IT staff was reduced. This was not as easy as it would seem, as in almost every bureau a mix of contract and FTE provided a wide range of IT Support, resulting in no clear path for what bureau IT staff reductions should take place. Existing resources within each bureau could only be determined after relevant staff reductions were identified.

The Scope of Bureau IT Support in 2007

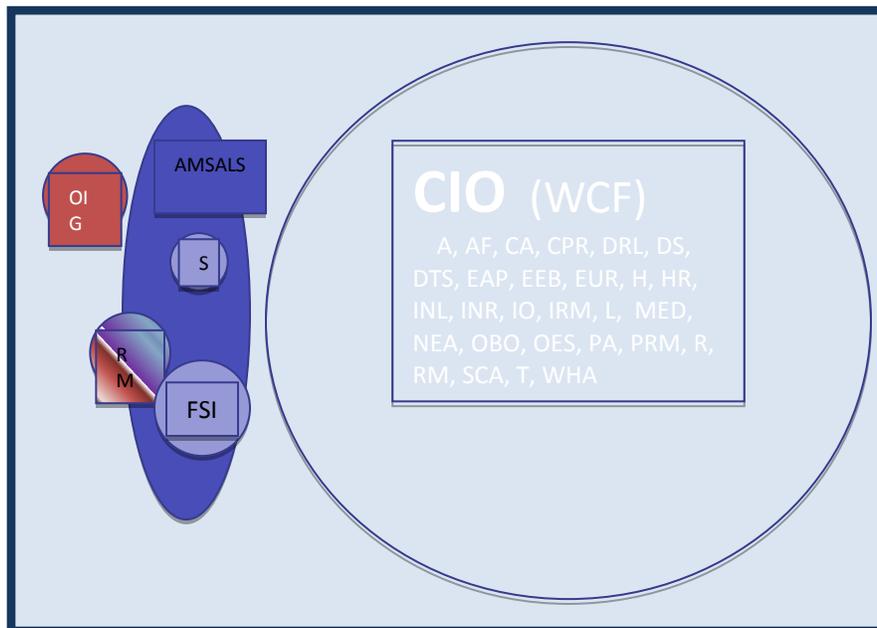


Under the direction of State's CIO, a transition team visited each consolidating bureau and conducted a Discovery and Gap Analysis to determine the activities being done by each person, whether contract or government FTE. The impact to each bureau was negotiated with the involvement of HR and Acquisitions. The Chief Financial Officer used the results of these studies and negotiations to realign resources.

Results

The consolidation of domestic desktop support under the CIO's Bureau of Information Resource Management and funded entirely from the Department's Working Capital Fund is nearly complete. Resources were realigned among the primary operating account bureaus to fund their WCF IT Cost Center invoices. One of the benefits of the WCF is that it now provides the Department with a better understanding of the spending on services and equipment needed to provide desktop support.

IT Consolidated Desktop Services – Current Status



Lessons Learned

- State's Working Capital Fund authorities provided a means of centralizing a major service under one organization.
- Providing services through a fee-for-service Working Capital Fund rather than centrally funding such services, encourages rational consumption of such services.
- A Department-wide change can only be successful with the support of top management.
- Major Department-wide IT undertakings require the coordinated involvement of the CIO, the CFO (Bureau of Resource Management) and Acquisitions staff.
- When movement or reduction of staff is required, early involvement of HR is essential.

Related Information

- http://www.law.cornell.edu/uscode/html/uscode22/usc_sec_22_00002684----000-.html
- http://www.whitehouse.gov/omb/circulars_a130_a130trans4#1

Disclaimer

- The focus of this paper is limited to the budget execution aspects of the Department of State's effort to consolidate desktop support.