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Report to the Chairman, Committee on  
Governmental Affairs, U.S. Senate

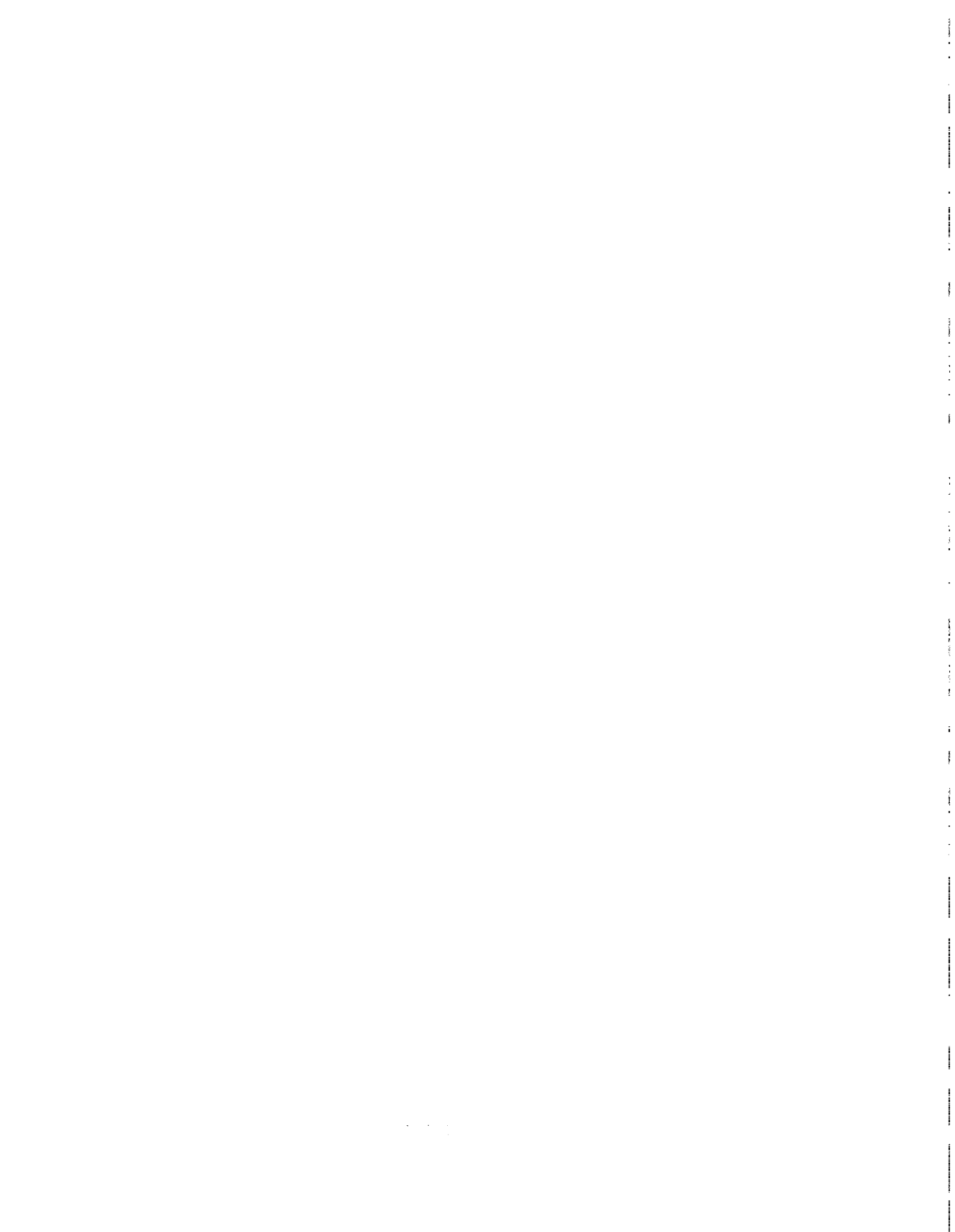
May 1994

# WORKING CAPITAL FUNDS

## Three Agency Perspectives



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United States  
General Accounting Office  
Washington, D.C. 20548

Accounting and Information  
Management Division

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May 20, 1994

The Honorable John Glenn  
Chairman, Committee on  
Governmental Affairs  
United States Senate

Dear Mr. Chairman:

This report responds to your request for additional information on budgetary approaches used by selected agencies to finance administrative services. As agreed with your office, our objectives were to build on our previous testimony<sup>1</sup> on H.R. 3400, The Government Reform and Savings Act of 1993, by providing the perspectives of agency officials from the Departments of Labor and Justice and the General Services Administration on (1) current budgetary practices supporting the delivery of administrative services and (2) the potential effect of proposals to establish franchise and innovation funds contained in H.R. 3400.

## Results in Brief

Officials from the three agencies said that their current working capital funds (WCFS)—a type of budget account that is similar to the H.R. 3400 proposals—give managers considerable control and flexibility in providing administrative services. Where obstacles or limitations have been experienced, these agencies have taken the initiative to request additional authority. In some cases, the Congress has expanded their authority by broadening the funds' statutory purposes, providing access to new sources of funding, and allowing accumulation of additional reserves.

These agency officials said that the franchise and innovation fund proposals in H.R. 3400 provide marginal incentives to improving administrative service delivery. They noted that their agencies have or are requesting authorities at least as extensive as those proposed, and that the proposals do not address what these managers view as the most significant obstacles to operating effectively—shrinking resources, mandatory central agency service requirements, and management restrictions on fund activities imposed by external sources.

The officials also said that the franchise fund proposal's requirement to compete administrative services is unneeded. They noted that, except for

<sup>1</sup>Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/T-AIMD/GGD-94-97, February 23, 1994).

certain services which are required by statute to be provided by a central agency, they already provide some administrative services to, and receive other services from, other federal agencies. These officials view competition as only one incentive for reducing WCF costs; more compelling reasons for increasing efficiency are the downsizing of the federal government, management reform efforts, and, in general, fewer resources available for administrative services.

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## Background

On February 23, 1994, the Comptroller General testified on H.R. 3400 before the Senate Committee on Governmental Affairs. This bill includes legislative proposals derived from recommendations of the National Performance Review (NPR), the administration's major management reform initiative under the direction of the Vice President.

Section 16003 of H.R. 3400 would establish franchise funds and innovation funds in any executive agency where such a fund does not exist. Franchise funds would centralize administrative support services on a reimbursable basis as determined by the head of the agency and with the approval of the Office of Management and Budget (OMB). As incentives for establishing a franchise fund and opening its services to competition, agencies would be able to (1) transfer up to 50 percent of the expired unobligated balances from annual appropriations provided for salaries and expenses during the fund's first 3 years and (2) retain up to 4 percent of the fund's total income for capital acquisition and systems improvements. Innovation funds would provide loans for projects designed to produce measurable improvements in program efficiency and significant savings to taxpayers. Initially the fund would be capitalized through expired unobligated balances from annual appropriations other than salary and expense activities and then through anticipated loan repayments.

In developing our February 1994 testimony, we interviewed knowledgeable staff from NPR and OMB concerning the legislative proposals and the NPR recommendations from which they were derived. These discussions, along with additional background materials provided by OMB and NPR, allowed us to establish a framework for comparing the proposed funds with existing budget mechanisms.

Based on this framework, we determined that several types of budgetary accounts—intragovernmental, public enterprise, and trust revolving funds—shared the essential characteristics of the H.R. 3400 proposals. For example, they serve similar purposes, are available until spent, and are

intended to be self-sustaining through reimbursements. WCFs—a subset of intragovernmental revolving funds—most closely resemble the proposed franchise and innovation funds because they are typically intended to support administrative services within, or outside, an agency. Using OMB budget data, we determined the WCF accounts for executive departments and agencies, developed legislative histories for each account, and compiled gross outlay trends.

As we noted in our testimony, all executive departments already have the authority to establish such accounts to support centralized administrative services on a reimbursable basis. While supporting the goals of the H.R. 3400 proposals, the Comptroller General stated that “It is not at all clear that a new budget mechanism must be created or that such mechanisms will necessarily achieve the goals outlined in these proposals.”

## Scope and Methodology

Following our February 23 testimony, we were requested by your office to expand our previous work to include examples of WCF operations. We selected the WCFs from the Departments of Labor and Justice and the General Services Administration (GSA) because (1) NPR and OMB staff identified the Justice WCF as a model for the franchise and innovation fund concepts and (2) both GSA and Labor had recently received, as discussed below, new authorities and were requesting in their fiscal year 1995 budget submissions additional changes which would make their WCFs similar to the H.R. 3400 proposals.

At Labor, Justice, and GSA, we interviewed WCF managers and other knowledgeable budget and financial officials to (1) determine what activities and services are currently, or planned to be, supported by their WCF and (2) obtain their views on the potential effects of the H.R. 3400 proposals. We also reviewed internal policy and operational documents and inspectors general reports. Appendixes I through III provide details on the statutory authority, organizational structure, customers served, and reported financial resources for the budgetary accounts discussed in this report.

As agreed with your office, we did not independently verify the information we obtained, nor did we evaluate the policies, procedures, or internal controls governing the WCFs included in this report. However, we did conduct extensive exit conferences with Labor, Justice, and GSA officials, who also reviewed the appendix applicable to their agency. We incorporated their views where appropriate.

Our work was performed between March 9 and April 15, 1994.

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## Working Capital Funds Are Used to Provide Administrative Services

Officials at the three agencies we visited told us that WCFs give them considerable control and flexibility in providing administrative services.<sup>2</sup> These funds have become even more flexible in recent years. Officials said that the Congress has responded to their requests for additional authorities by approving expanded purpose statements and increasing their ability to accumulate funds for capital purchases and system improvements.

Labor and Justice officials noted that the broad statutory purpose statements for their WCFs have allowed them to decide which administrative activities can best be provided through the WCF. These officials said that they did not think that additional authority would be required if their respective agencies decided to expand WCF activities.

GSA is seeking authority in its fiscal year 1995 budget request to consolidate administrative services into its WCF. Currently, almost all of GSA's centralized administrative services are funded by the General Management and Administration (GMA) account; the exceptions are printing and duplicating activities funded through the WCF. If GSA's request is approved, reimbursable GMA activities will be transferred to the WCF. According to a GSA official, this merger would make GSA's treatment of administrative services comparable to other major agencies.

Although officials in all three agencies said that WCF balances may not be sufficient for major capital purchases, they generally agreed that these funds can cover the costs of upgrades and enhancements for existing systems. Justice and GSA officials said that recent changes enabling them to transfer expired unobligated balances to a central administrative account have provided greater ability to accumulate resources.<sup>3</sup> Both agencies are required to notify the Congress on the intended use of the transferred funds prior to obligation. Officials stated that the availability of these balances should help to alleviate the problems they have experienced in obtaining direct appropriations for capital purchases. Justice also has authority to retain up to 4 percent of the WCF's total annual income for acquisition of capital equipment and financial management improvements—the same authority provided in the H.R. 3400 franchise

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<sup>2</sup>See appendixes I through III for a description of administrative services provided by each agency.

<sup>3</sup>Justice may transfer to its WCF expired unobligated balances up to 5 years after the end of the fiscal year in which funds were appropriated; GSA has identical authority for its GMA account.

fund proposal. Labor officials noted that their fiscal year 1995 budget request includes \$25 million to establish a Reinvention Investment Fund within its WCF to help meet funding needs for both capital and other investment projects. This proposed fund would give Labor a financing mechanism—an initial direct appropriation coupled with subsequent principal and interest repayment requirements—that does not rely on transfers of expired unobligated balances.

## Obstacles to Providing Administrative Services Efficiently and Effectively

Officials at the three agencies identified several obstacles or constraints that prevented or inhibited them from providing centralized administrative services, either in the manner or to the extent that they considered most efficient and effective. However, they did not consider the requirement to compete such services, as contained in the franchise fund proposal, essential to ensuring cost reductions and said it could actually lead to increased service fragmentation and higher costs, and impede data collection and reporting.

Agency officials cited several factors<sup>4</sup> which hinder the delivery of centralized administrative services, including

- shrinking personnel levels, which restrict the capability of WCFs to expand services;
- procurement rules and statutory “monopolies,” which limit an agency’s options for providing or acquiring services;
- financial and management regulations—such as OMB apportionments and employment ceilings—which reduce an agency’s ability to provide WCF services as business-type operations; and
- scarce resources for major capital investments, which reduce an agency’s potential for streamlining operations by taking advantage of technological improvements.

We also discussed with these agency officials the competition requirements contained in H.R. 3400. The franchise fund proposal requires that in the third year after the fund is established and thereafter, a customer must not be precluded from obtaining services that are not inherently governmental in nature from one or more governmental or nongovernmental sources. After the third year of operation, if a customer is so precluded, the fund “shall be cancelled.” The administration’s position is that competition is essential to reducing the cost of

<sup>4</sup>Many of the issues raised by these officials have been noted by NPR and others and, in some cases, are being addressed as part of larger, government reform initiatives. Nevertheless, they presently remain significant obstacles to WCF operations.

administrative services. OMB Deputy Director Rivlin testified before the Senate Governmental Affairs Committee that “Franchise funds will provide a means whereby agencies can provide and/or obtain common administrative services on a competitive basis—that is for a negotiated, market-driven price. This will help to assure the agencies do business with whichever service provider can provide the best service for the best value....”

Officials at the three agencies said that their WCFs are not explicitly required to compete their services but they did not consider this essential to cost reduction. For example, they told us that the WCFs are, and will continue to be, driven to achieve greater efficiency and cost reductions because of the downsizing of the federal government, other management reform efforts, and budgetary pressures on their customers’ direct appropriations. Additionally, even absent a specific competition requirement, each WCF currently provides administrative services to, and in some cases their agencies obtain services from, other government agencies.

Officials emphasized that their primary responsibility is to provide administrative services to their respective agencies. Labor and Justice officials stated that they were not planning to aggressively market their WCF services. GSA officials told us that, because of personnel ceiling constraints upon the agency, it is unlikely that GSA will be able to expand administrative support services to external customers for most of its activities. These officials said that printing is a service that they would like to market but, because of statutory restrictions, have not been allowed to compete with the Government Printing Office.

Officials at the three agencies were also concerned about allowing subordinate agency components to choose administrative service providers in other agencies, as required in the H.R. 3400 franchise fund proposal. These officials said that this could create a fragmented and uncertain customer base. They pointed out that expanding or reducing services is problematic, given the inability to quickly adjust staffing or other fixed costs to meet revised demand. Coupled with existing constraints on WCF operations, they said allowing subordinate components to choose their providers could lead to higher service costs for remaining customers because of the need to allocate costs over a reduced customer base. Officials also stated that multiple service providers complicate agency-wide reporting requirements and data validation because of the



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need to collect and consolidate information from multiple reporting points.

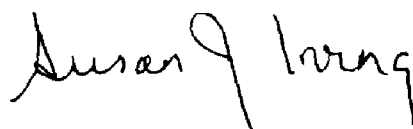
Overall, considering their current WCF authorities and operating environment, and the features of the H.R. 3400 proposals, neither Labor nor Justice officials anticipated establishing franchise and innovation funds, if enacted by the Congress. Officials at GSA said that they would consider establishing these funds as an addition to, but not in lieu of, their proposed WCF authority.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 7 days from the date of this letter. We will then send copies to other interested Members of the Congress, the U.S. Attorney General, the Secretary of Labor, and the Administrator of the General Services Administration. Copies will also be made available to others on request.

Please call me at (202) 512-9142 if you or your staff have any questions. Major contributors to this report are listed in appendix IV.

Sincerely yours,



Susan J. Irving  
Associate Director, Budget Issues

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# Contents

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Letter	1
Appendix I Department of Labor Working Capital Fund	10
Appendix II Department of Justice Working Capital Fund	14
Appendix III General Services Administration Working Capital Fund	19
Appendix IV Major Contributors to This Report	23
Figures	
Figure I.1: Department of Labor Working Capital Fund—Gross Outlays	11
Figure II.1: Department of Justice Working Capital Fund—Gross Outlays	15
Figure III.1: General Services Administration Working Capital Fund—Gross Outlays	20

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## Abbreviations

ADP	automated data processing
CFO	Chief Financial Officer
GMA	general management and administration
GSA	General Services Administration
NPR	National Performance Review
OMB	Office of Management and Budget
RIF	Reinvention Investment Fund
WCF	working capital fund



# Department of Labor Working Capital Fund

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## Statutory Authority

Public Law 85-67, Departments of Labor, and Health, Education, and Welfare Appropriation Act, 1958.

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### 29 U.S.C. Sec. 563

There is established a working capital fund, to be available without fiscal year limitation, for expenses necessary for the maintenance and operation of (1) a central reproduction service; (2) a central visual exhibit service; (3) a central supply service for supplies and equipment for which adequate stocks may be maintained to meet in whole or in part the requirements of the Department; (4) a central tabulating service; (5) telephone, mail and messenger services; (6) a central accounting and payroll service; and (7) a central laborers' service: Provided, That any stocks of supplies and equipment on hand or on order shall be used to capitalize such fund: Provided further, That such fund shall be reimbursed in advance from funds available to bureaus, offices, and agencies for which such centralized services are performed at rates which will return in full all expenses of operation, including reserves for accrued annual leave and depreciation of equipment.

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### 29 U.S.C. Sec. 563a

For expenses necessary during the fiscal year ending September 30, 1994, and each fiscal year thereafter, for the maintenance and operation of a comprehensive program of centralized services which the Secretary of Labor may prescribe and deem appropriate and advantageous to provide on a reimbursable basis under the provisions of the Economy Act (subject to prior notice to OMB) in the national office and field: Provided, That such fund shall be reimbursed in advance from funds available to agencies, bureaus, and offices for which such centralized services are performed at rates which will return in full cost of operations including cooperative administrative services units under the Economy Act, including reserves for accrued annual leave, worker's compensation, depreciation of capitalized equipment, and amortization of ADP software and systems (either acquired or donated): Provided further, That funds received for services rendered to any entity or person for use of Departmental facilities, including associated utilities and security services, shall be credited to and merged with this fund.

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## Proposed Authority in Fiscal Year 1995 Budget Request

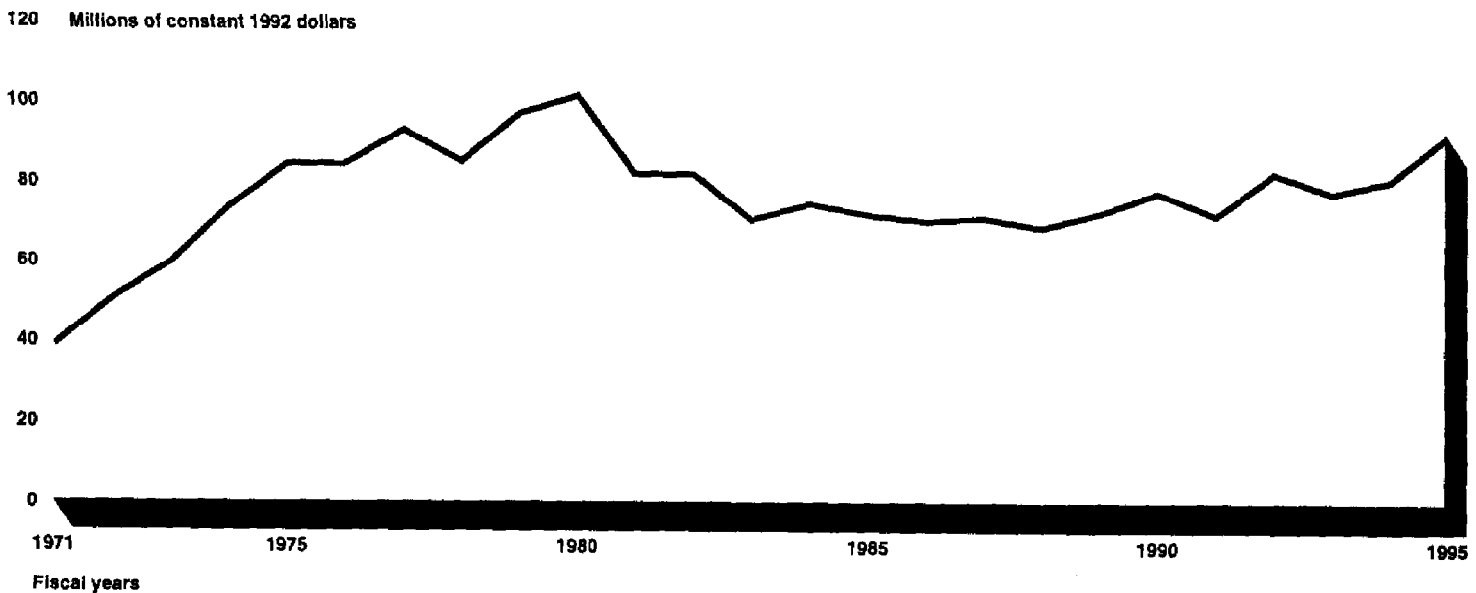
Provided further, That within the Working Capital Fund, there is hereby established a Reinvention Investment Fund (RIF), which shall be available to invest in projects of the Department designed to produce measurable improvements in agency efficiency and significant taxpayer savings. To provide the initial capital, there is appropriated \$25,000,000, to the RIF; to remain available until expended, to make loans to agencies of the Department for projects designed to enhance productivity and generate cost savings. Such loans are to be paid with interest at the rate on marketable Treasury securities of similar maturity at the time the loan is made, and principal and interest shall be repaid to the RIF no later than September 30 of the fiscal year following the fiscal year in which the project is

completed. Such repayments and interest shall be deposited in the RIF, to be available without further appropriation action.

## Working Capital Fund Resources

For fiscal year 1993, Labor reported that the fund utilized 722 workyears, or full-time equivalents, and that gross outlays were \$79 million. Figure I.1 displays the fund's reported gross outlays trend in constant 1992 dollars. From fiscal year 1971 through fiscal year 1993, reported gross outlays grew at an average annual rate of 3.2 percent.

Figure I.1: Department of Labor Working Capital Fund—Gross Outlays (Fiscal Years 1971-95)



Data for fiscal years 1994-95 are estimates.

Sources: Data for fiscal years 1971-92 are from OMB's Budget Preparation System. Data for fiscal years 1993-95 are from the "Budget of the United States Government, Fiscal Year 1995."

## Organizational Structure

Budgeting, accounting and payment, customer billings, policy implementation, and other WCF functions are performed at various levels within Labor.

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**Office of the Chief  
Financial Officer**

The Chief Financial Officer (CFO) has overall responsibility for policies concerning the WCF. The CFO reviews the status of WCF operations with input from the Assistant Secretary for Administration and Management. The reviews are performed for the Working Capital Fund Committee with the CFO or the Deputy CFO serving as Chairperson of the Committee. Committee members include the Agency Administrative Officer of each Labor agency (e.g., Employment and Training Administration).

The WCF Manager, located within the Office of the CFO, provides secretarial and staff support for the Committee meetings and maintains the automated customer billing system for services rendered based on input received from Responsibility Center Code Managers and other sources.

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**Assistant Secretary for  
Administration and  
Management**

This position has responsibility for preparing the annual WCF budget submission to OMB and the Congress, apportionments, target amounts, and financial forecasts compared to apportionments. The Assistant Secretary also performs most accounting and payment services for WCF Responsibility Center Code Managers.

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**WCF Responsibility Center  
Code Managers**

The day-to-day operations of the WCF are handled by WCF Responsibility Center Code Managers, who are responsible for planning and developing cost allocation strategies and providing input on these strategies to the CFO. These managers are also responsible for collecting data on customer billings, which are sent to the WCF Manager. According to the organization structure, the managers report directly to the CFO or the Assistant Secretary for Administration and Management.

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**Services Provided**

The WCF's main customers are the Labor agencies, including both the headquarters and regional personnel. The WCF provides a wide range of administrative services to Labor agencies located in the national capital area. These services include personnel, payroll, accounting, automated data processing (ADP), printing, supply, procurement, and building services. Many of these services are provided through the National Capital Service Center. Services provided to the regional offices include personnel, financial, and other administrative services.

The WCF also serves other federal departments and agencies. The Pension Benefit Guaranty Corporation (a wholly owned government corporation) uses Labor's payroll and personnel systems. The WCF provides some

administrative services to federal agencies that share office space with Labor's regional offices. Also, Labor allows other agencies to rent its facilities for short-term use, such as Office of Personnel Management seminars.

In addition to the services provided by the WCF, Labor also contracts out for some administrative services, including warehousing, moving, and computer services.

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## Cost Allocation System

The WCF is reimbursed in advance at rates that return in full all expenses of operation, including reserves for accrued annual leave and depreciation of equipment. Prices for WCF services are reviewed each year by the Responsibility Center Code Managers. These managers estimate rates and send their justifications to the WCF Committee. The WCF Committee has the final responsibility for deciding whether prices are appropriate, ensuring that prices are equitable, and resolving any discrepancies.

WCF services fall into two categories: (1) costs based directly on customer usage (e.g., printing, copying, and supplies), with the addition of overhead costs and (2) per capita costs based on the number of employees in an agency (e.g., payroll, personnel, and financial management).

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## Capital Reserve

The WCF can retain funds for capital investment from the customer reimbursements it receives for depreciation of equipment. The amount of capital the WCF is able to accumulate and retain has not been constrained in recent years by a ceiling or limitation. However, agency officials told us that although the size of the reserve is currently adequate to replace existing WCF systems and equipment, it may not be sufficient to handle future requirements if the WCF takes on additional responsibilities.

Requests for capital purchases are reviewed and approved internally by the Office of the CFO and the National Capital Service Center. Labor then notifies OMB about its intended purchases and OMB apportions the funds.

# Department of Justice Working Capital Fund

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## Statutory Authority

Public Law 93-613, Department of Justice, Working Capital Fund, 1975.

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### 28 U.S.C. Sec. 527

There is hereby authorized to be established a working capital fund for the Department of Justice, which shall be available, without fiscal year limitation, for expenses and equipment necessary for maintenance and operations of such administrative services as the Attorney General, with the approval of the Office of Management and Budget, determines may be performed more advantageously as central services. The capital of the fund shall consist of the amount of the fair and reasonable value of such inventories, equipment, and other assets and inventories on order pertaining to the services to be carried on by the fund as the Attorney General may transfer to the fund less related liabilities and unpaid obligations together with any appropriations made for the purpose of providing capital. The fund shall be reimbursed or credited with advance payments from applicable appropriations and funds of the Department of Justice, other Federal agencies, and other sources authorized by law for supplies, materials, and services at rates which will recover the expenses of operations including accrual of annual leave and depreciation of plant and equipment of the fund. The fund shall also be credited with other receipts from sale or exchange of property or in payment for loss or damage to property held by the fund. There shall be transferred into the Treasury as miscellaneous receipts, as of the close of each fiscal year, any net income after making provisions for prior year losses, if any.

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### 28 U.S.C. Sec. 527 note

Of the total income of the Working Capital Fund in fiscal year 1992 and each fiscal year thereafter, not to exceed 4 percent of the total income may be retained, to remain available until expended, for the acquisition of capital equipment and for the improvement and implementation of the Department's financial management and payroll/personnel systems...That any proposed use of the retained income in fiscal year 1992 and thereafter...shall only be made after notification to the Committees on Appropriations of the House of Representatives and the Senate in accordance with section 606 of this Act.

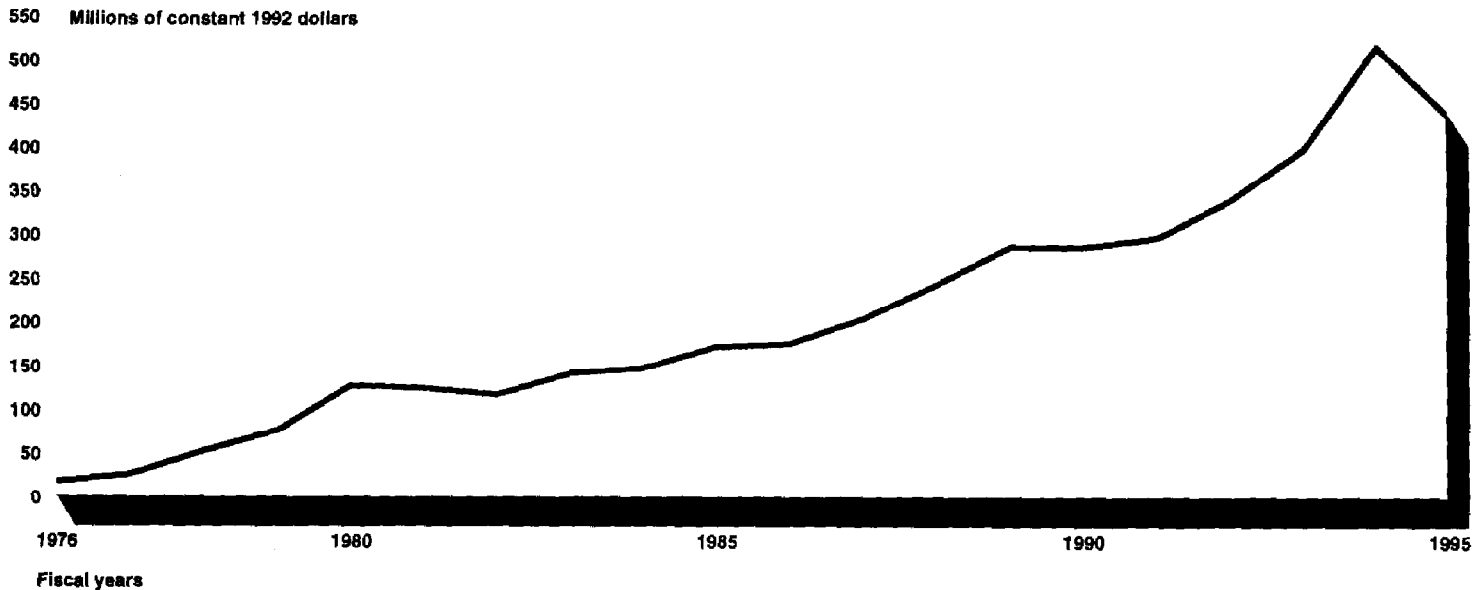
In addition, for fiscal year 1992 and thereafter, at no later than the end of the fifth fiscal year after the fiscal year for which funds are appropriated or otherwise made available, unobligated balances of appropriations available to the Department of Justice during such fiscal year may be transferred into the capital account of the Working Capital Fund to be available for the departmentwide acquisition of capital equipment, development and implementation of law enforcement or litigation related automated data processing systems, and for the improvement and implementation of the Department's financial management and payroll/personnel systems; Provided, That any proposed use of these transferred funds in fiscal year 1992 and thereafter shall be made after notification to the Committees on Appropriations of the House of Representatives and the Senate in accordance with section 606 of this Act.



## Working Capital Fund Resources

For fiscal year 1993, Justice reported that the fund utilized 672 workyears, or full-time equivalents, and that gross outlays were \$407 million. Figure II.1 displays the fund's reported gross outlays trend in constant 1992 dollars. From fiscal year 1976 through fiscal year 1993, reported gross outlays grew at an average annual rate of 20.4 percent.

Figure II.1: Department of Justice Working Capital Fund—Gross Outlays (Fiscal Years 1976-95)



Data for fiscal years 1994-95 are estimates.

Source: Data for fiscal years 1976-92 are from OMB's Budget Preparation System. Data for fiscal years 1993-95 are from the "Budget of the United States Government, Fiscal Year 1995."

## Organizational Structure

### WCF General Manager

The Assistant Attorney General for Administration serves as the General Manager of the WCF. The General Manager approves all capital budgets and operating plans, rate changes for WCF services and all major expenditures from the fund.

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**WCF Financial Manager**

The Financial Manager of the WCF is the Deputy Assistant Attorney General, Controller. The Financial Manager develops and maintains a budget and accounting system; prepares OMB and Congressional budgets; provides financial management services that include recommendations to the General Manager regarding rate revisions; prepares external and internal financial reports; provides direction and assistance to the managers of the commercial functions in the areas of cost accounting and rate development; and, provides oversight in the development of operating plans and capital budgets.

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**WCF Activity Managers**

All commercial functions of the WCF are directed by Activity Managers who are responsible for the operation and management of their respective commercial functions, including recommending rate changes.

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**WCF Customer Advisory Board**

A WCF Customer Advisory Board has recently been established. The Board consists of seven members, who represent Justice bureaus, offices, boards, and divisions. This Board will review WCF operations, including operating plans and income and expense reports.

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**Services Provided**

The WCF's main customers are Justice components (e.g., Bureau of Prisons, staff offices, and the Antitrust Division), excluding the Federal Bureau of Investigation. The WCF provides these customers with a wide range of administrative services, which are grouped into the following 12 commercial functions:

- Data Processing Services
- Publications and Audiovisual Services
- Justice Building Services
- Financial Management Systems
- Human Resource Systems
- Telecommunications Services
- Drug-Free Workplace
- Property Management
- Space Management
- Library Acquisition Services
- Personnel Services
- Debt Collection Management

Library Acquisition Services, Personnel Services, and Debt Collection Management were added to the WCF at the beginning of fiscal year 1994. In its fiscal year 1995 budget request, Justice proposes adding Mail Management Services to the WCF.

Of these 12 functions, space management is the most prominent, accounting for approximately 58 percent of all WCF revenue in fiscal year 1993. Together, space management, data processing, and telecommunications services were responsible for nearly 90 percent of total WCF revenue in fiscal year 1993.

In addition to the services provided by the WCF, Justice also contracts out for some administrative services. For example, Justice payroll operations are processed by the National Finance Center of the U.S. Department of Agriculture.

The WCF also provides services (ADP and micrographics) to other federal departments and agencies. The Internal Revenue Service uses Justice for its mainframe computer operations. Other Justice customers include the Equal Employment Opportunity Commission, Bureau of Mines, Environmental Protection Agency, and Federal Communications Commission. These organizations use Justice ADP software development contracts.

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## Cost Allocation System

The WCF is authorized to charge rates that recover the full expenses of the fund, including accrued annual leave and overhead costs which include depreciation of plant and equipment. The rates for services are based on usage rather than on a per capita basis. Rate changes are approved by the fund's General Manager. Justice is currently developing a customer service guide that will be provided to its customers.

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## Capital Reserve

The WCF is authorized to recoup overhead costs such as depreciation in order to make the capital investments needed to sustain the fund and its operations. For fiscal year 1992 and thereafter, Justice was granted the authority to retain up to 4 percent of total income from its WCF for the acquisition of capital equipment and for the improvement and implementation of Justice financial management and payroll/personnel systems. Any use of the retained income shall only be made after notification to the House and Senate Appropriations Committees.

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Also for fiscal year 1992 and thereafter, Justice was granted the authority to transfer expired unobligated balances from the previous 5 fiscal years into its WCF. These transferred balances are available for the department-wide acquisition of capital equipment, development and implementation of law enforcement or litigation related ADP systems, and the improvement and implementation of Justice financial management and payroll/personnel systems. During fiscal year 1993, Justice used the new authority to transfer \$97 million into the WCF.

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# General Services Administration Working Capital Fund

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## Statutory Authority

Chapter 106, Independent Offices Appropriation Act, 1946.

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### 40 U.S.C. Sec. 293

For the establishment of a working capital fund there is appropriated \$50,000, without fiscal year limitation, for the payment of salaries and other expenses necessary to the operation of a central blueprinting, photostating, and duplicating service; said fund to be reimbursed in order to insure continuous operation, from available funds of constituents of the Administrator of General Services, or of any other Federal agency for which services are performed, at rates to be determined by the Administrator of General Services on the basis of estimated or actual charges for personal services, materials, equipment (including maintenance, repair, and depreciation on existing as well as new equipment) and other expenses: Provided, That at the close of each fiscal year any excess of funds resulting from such operation, after making adequate provision for the replacement of mechanical and other equipment and for accrued annual leave of employees engaged in this work by the establishment of reserves therefor, shall be covered into the Treasury of the United States as miscellaneous receipts.

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## Proposed Authority in Fiscal Year 1995 Budget Request<sup>1</sup>

Amounts received for administrative support services provided under this head shall be credited to and merged with the Fund, to remain available until expended, for operating costs and capital outlays of the Fund and for the necessary expenses of administrative support services including accounting, budget, personnel, legal support and other related services; and the maintenance and operation of printing and reproduction facilities in support of the functions of the General Services Administration, other Federal agencies, and other entities; and other such administrative and management services that the Administrator of GSA deems appropriate and advantageous (subject to prior notice to the Office of Management and Budget): Provided, That entities for which such services are performed shall be charged at rates which will return in full the cost of operations.

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## Working Capital Fund Resources

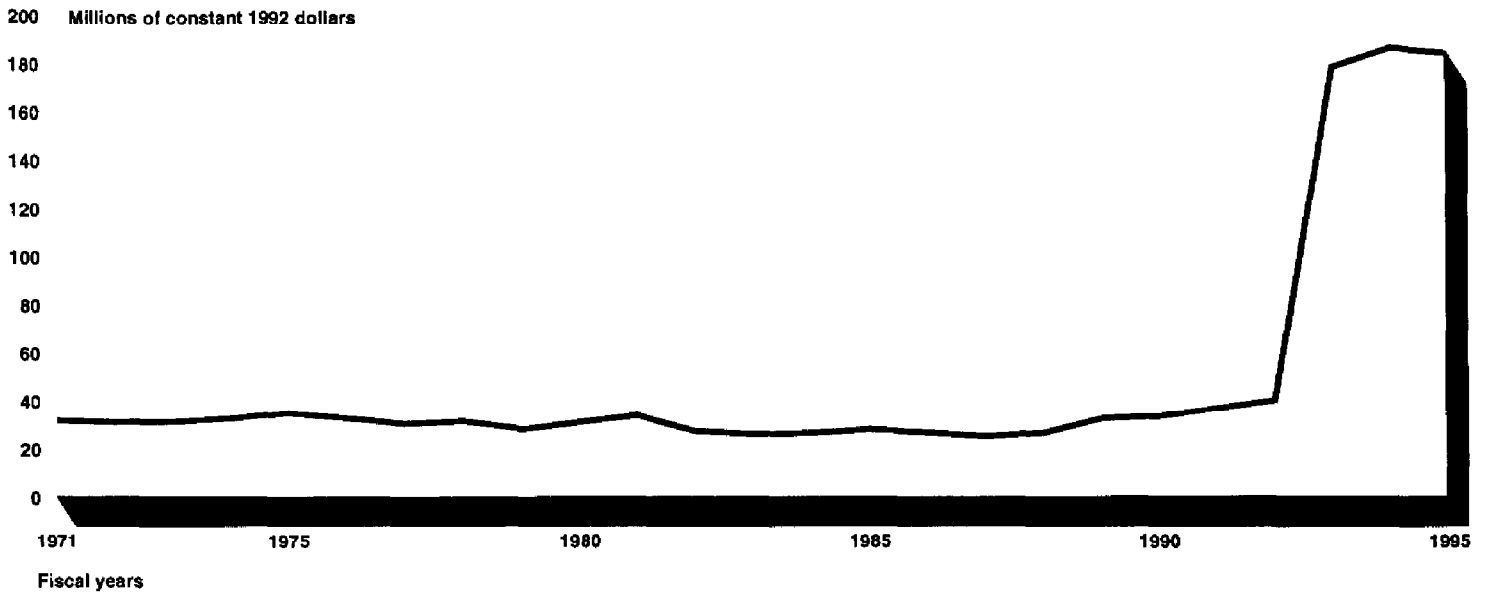
For fiscal year 1992, GSA reported that the WCF utilized 288 workyears, or full-time equivalents, and that gross outlays were \$40 million. Figure III.1 displays the fund's reported gross outlays trend in constant 1992 dollars. From fiscal year 1971 through fiscal year 1992, reported gross outlays grew at an average annual rate of 1.1 percent. However, as noted above, GSA has proposed transferring many administrative functions to the WCF. If approved by the Congress, WCF gross outlays will more than quadruple, with corresponding decreases to the GMA account.

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<sup>1</sup>Except for printing and duplicating, GSA's centralized administrative services are currently funded through its General Management and Administration (GMA) appropriation account. In its fiscal year 1995 budget request, GSA proposes consolidating the GMA account's reimbursable centralized support services in its WCF. According to agency officials, this request is consistent with WCF structures in other major agencies.

**Appendix III  
General Services Administration Working  
Capital Fund**

**Figure III.1: General Services Administration Working Capital Fund—Gross Outlays (Fiscal Years 1971-95)**



Data for fiscal years 1993-95 reflect GSA's proposal to transfer activities from the GMA reimbursable account into the WCF.

This presentation is consistent with the President's fiscal year 1995 budget request and is shown for all three years for purposes of comparability. If the Congress approves GSA's proposal, it would first go into effect in fiscal year 1995.

Data for fiscal years 1994-95 are estimates.

Source: Data for fiscal years 1971-92 are from OMB's Budget Preparation System. Data for fiscal years 1993-95 are from the "Budget of the United States Government, Fiscal Year 1995."

## Organizational Structure

### Reproduction Services Division, Central Office

The Reproduction Services Division directs the printing and distribution program, and provides technical advice pertaining to the reproduction and distribution of publications and other printed materials. The Division is also responsible for determining and establishing prices by reviewing and evaluating the operations and financial status of all plants. Regional offices

are not authorized to establish or change prices except for copying services.

The Division's Director is the primary GSA liaison with the Congress' Joint Committee on Printing, which determines the direction and operation of printing, binding, and distribution policies and procedures for the federal government.

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## Regional Printing and Distribution Branches

Regional branches operate reproduction service centers, provide technical advice, and furnish, on a reimbursable basis, reproduction, distribution, and allied services required by GSA and other federal agencies.

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## Services Provided

The WCF serves both the service organizations within GSA (e.g., Federal Supply, and Public Buildings) and other federal departments and agencies. The Departments of Interior, Agriculture, and the Treasury are the WCF's biggest customers outside of GSA. Currently, the WCF provides printing, duplicating, electronic publishing, distribution, and forms warehouse services to its customers from 21 service centers located throughout the country. In addition to the services provided by the WCF, GSA contracts out for some printing and duplicating jobs through the Government Printing Office.

As detailed above, GSA proposes expanding the WCF in fiscal year 1995 by transferring the following services from the GMA account into the WCF: accounting, budget, personnel, legal support, and other related services. This new funding structure is expected to promote better management practices by (1) providing for a continuous cycle of operations which enhances strategic planning of support programs and (2) providing a sounder base for formulation of budgets and execution of programs.

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## Cost Allocation System

The WCF is authorized to be reimbursed for services at rates that return in full the cost of operations, including personnel services, materials, maintenance, repair, and replacement equipment.

GSA sets prices through a fee schedule that provides the maximum dollar amount that can be charged for services. GSA's regional centers compute their own prices and are allowed to adjust charges up to the maximum listed on the fee schedule.

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For its copying services, GSA has cost per copy contracts with its customers that are agreed upon in advance through memorandums of understanding.

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## Capital Reserve

The WCF is authorized to recoup overhead costs such as depreciation of equipment and accrued annual leave in order to make the capital investments needed to sustain the fund and its operations. According to a GSA official, GSA sets aside approximately 2 percent of the WCF's income for purchases of capital equipment.

In GSA's fiscal year 1994 appropriation, (40 U.S.C. 755a), the agency received the authority to transfer unobligated balances from operating expenses and salaries and expenses appropriations to the GMA account "no later than the end of the fifth fiscal year after the fiscal year for which funds are appropriated" for "agency-wide acquisition of capital equipment, automated data processing systems, and for financial management and management information systems" needed to implement any laws or regulations. Any use of these funds requires the advance approval of the House and Senate Appropriations Committees.



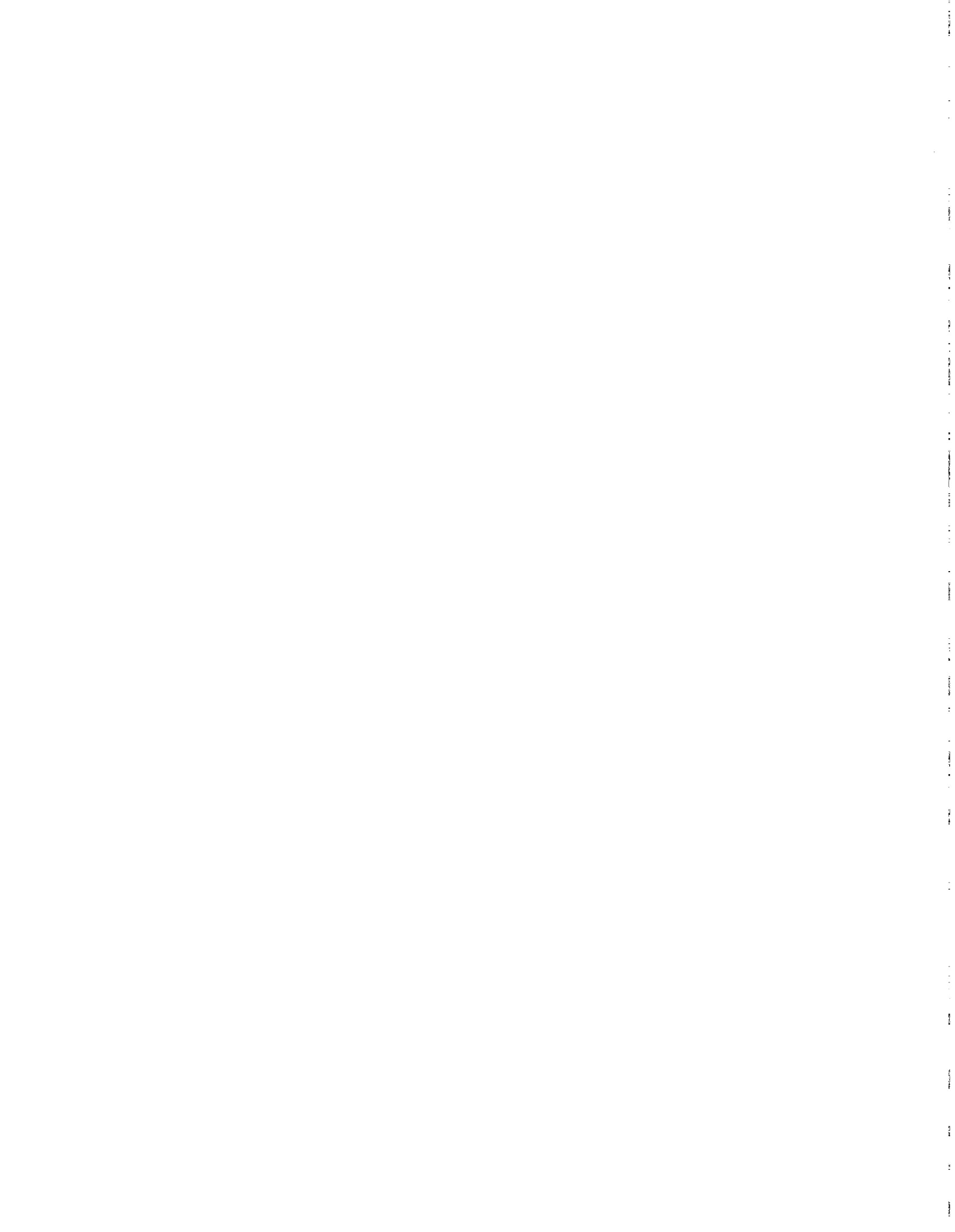
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