V. WCF BUDGET CYCLE

The WCF budget process adheres to the procedures required by the Commerce Budget Office, Office of Management and Budget (OMB) and the Congress. The WCF budget process closely conforms to the requirements for preparing a direct appropriation budget. This includes the:

Preparation and justification of budget estimates for the Secretary;

Preparation of the budget for submission to OMB in September; and

Final revision and submission to Congress in February.

WCF FORMULATION AND PRESENTATION

Budget formulation is the process by which resources necessary to accomplish goals are determined and justified to decision makers (the Secretary, the President, and the Congress). The budget formulation cycle covers 18 months. In the period beginning from April/May, the Secretary sends a guidance letter to all DoC Bureaus Heads and Heads of Operating Units. This letter describes the approach to be used when preparing the fiscal year budget. It also identifies the Administration's and secretarial priorities.

In January/February in order to allow time to gather information & better justify the submissions, OEB prepares a "*budget call*" to the Departmental Management (DM) directors. Directors for each of the programs submit their requests for WCF funding for the budget year. In turn, OEB analysts review these budget requests for reasonableness and a tentative program budget is produced. Budget recommendations are presented to the Director for Financial Management and to the CFO/ASA. The CFO/ASA reviews the budget and determines the WCF program increases to be incorporated into the budget. Service providing offices requesting program increases make presentations to the bureaus providing an opportunity to receive bureau feedback. OEB makes appropriate changes to the request and sends it to the Commerce Departmental Budget Office (BO).

The Budget Office presents the WCF budget request along with all the bureau budget requests for the CFO's review. This information is also presented to the Deputy Secretary and Secretary for final decision. Thereafter, it is the Budget Office's responsibility to coordinate the budget between the bureaus and OMB or the Congress. The WCF budget proposes to Congress the WCF's operating level for the budget year. Total cost recovery requires the WCF to bill the bureaus for incurred costs. The Department requests WCF cost increases by seeking Adjustments to Base (ATBs) by including ATB in the bureaus' budget. However, bureaus do not always receive increases for those costs during their appropriation process. OEB, in conjunction with OB determine whether or not the majority of bureaus have received the funds and the CFO determines if WCF increases move forward to implement. The WCF must notify OMB and Congress

when adding new functions.

Rate Setting - The Director of OEB is responsible for the review of the cost and the related projected income in each project's budget to determine their reasonableness and appropriateness. Before a budget and a billing rate can be established, any significant changes from the prior year must be justified by the director in charge of the activity. Once the rates are set for the upcoming fiscal year, each participating bureau is notified of the rates and the expected budget estimates. Monthly, OEB analysts compare obligations to budget estimates for each WCF activity to determine the accuracy of estimates and expected performance against the budget. Generally, OEB does not adjust rates during the course of the year. The rates are established at the beginning of each budget cycle.

WCF BUDGET EXECUTION

As the OFM issues the operating budget guidance, the development of a consolidated operating budget commences. This generally occurs during June. A notice is sent to the Departmental Management offices that manage WCF projects to develop the algorithms to be used for billing DoC bureaus and other WCF customers. OEB consolidates the operating budgets and billing algorithms into the WCF budget. The OEB prepares and sends draft bureau budget estimates to the bureau heads and secretarial officers prior to beginning the fiscal year. Meetings are conducted with customers to review and answer questions on the initial estimates. WCF customers are provided with obligation-based spending plans. This quarterly advance schedule is to be used by the bureaus when completing their *SF-132 Apportionment and Reapportionment Schedules* to OMB.

When bureaus' issues are resolved, OEB forwards the operating budget and bureau spending plans to the NIST Financial Operations Division (FOD) by project. The approved annual budget amount, which is used for preparing the *Report on Budget Execution and Budgetary Resources SF-133*, is communicated to NIST/FOD. NIST distributes the budget in monthly, quarterly and annual increments, which are then entered into CBS for inclusion in the monthly accounting reports.

Report on Budget Execution and Budgetary Resources SF-133 - NIST is responsible for preparing the SF-133. The SF-133 fulfills the requirements in 31 U.S.C. 1511-1514 that the President review federal expenditures at least four times a year. The SF-133 provides a consistent presentation of data across programs within each agency, and across agencies, which helps program, budget, and accounting staffs to communicate. The reports also provide a basis to determine obligation patterns when programs are required to operate under a continuing resolution. NIST/FOD receives an e-mail from OEB for the fiscal year estimate. This figure is keyed into the computer system that distributes it into the different components of the *SF-133*. A draft copy of the *SF-133* is faxed to OEB for review and comment. OEB reviews the draft and resolves any differences with NIST/FOD. Each quarter, the information is sent to Treasury via NIST SF-133 electronic programs. A hard copy of this transmittal is produced, signed by NIST accounting, and sent to OEB and the Office of Budget. NIST maintains a file copy.

Funds Control - Monthly, after receipt of our appropriation, OEB reconciles obligations to the budget estimate. A copy of the *Budget Status Report* is kept on the shared drive for OS, Offices for budget contacts to update monthly to determine any variances. Each office director has a budget contact who maintains a

working relationship with their assigned budget analyst. OEB meets quarterly with the director of each office to review the current status of the organizations budget, and to discuss other budgeting topics such as vacancies, undelivered Orders, etc. Significant variances, ten percent (10%) over or under budget, are investigated and justified. Also, as a part of monitoring activities, OEB analysts review purchase orders and personnel requests. Purchase requests are reviewed to ensure that the purchase is being charged to the correct account and to verify that the correct object class was charged. OEB analysts review purchase requests for reasonableness of the charge and consistency with the project spending plan. The object class is also reviewed to ensure that items are properly classified as capital or non-capital. A WCF budget analyst maintains a cumulative depreciation schedule for capital assets. This schedule is forwarded to NIST/FOD when an addition is made to the depreciable items. NIST uses the listing to update the monthly WCF depreciation report.

Accruals - Quarterly and at year-end, the OEB budget analysts work closely with office budget contacts to ensure that all accrued expenses are accounted for. The WCF accrues amounts for items received but not yet paid and prepares estimates for percentage of contract completion. Documentation, which may consist of purchase requests, invoices, and estimation of completed contracts, is forwarded to NIST at year-end for entry into the WCF general ledger. The accruals are a necessary part of preparing financial statements.

WCF AUDITS

Chief Financial Officers Act Annual Audit - Chief Financial Officers Act of 1990 (CFO Act) prescribes that each fiscal year an audited financial statement must be prepared covering all accounts and activities for each Departmental bureau and activity. In connection with the audit, an independent certified public accounting firm performs audits of the Working Capital Fund (WCF) activities and related financial statements. The last published stand-alone audit report, which covered FY 2000 WCF activity, was dated March 2001. This audit report, Report No. FSD-12852-1-0002, disclosed no material weaknesses or reportable conditions. The U.S. Department of Commerce's *Performance and Accountability Report* consolidates certain reporting requirements of the CFO Act, as amended by the Government Management Reform Act of 1994, The Government Performance and Results Act (GPRA) of 1993 and other related legislation. It presents DoC's consolidated financial statements, the independent auditors' reports as well as the Department's annual Performance Reports under GPRA and on achieving the goals of the President's Management Agenda. Reports include the report on *Financial Statements*, internal controls, and compliance with laws and regulations. The most recent audit, which covered FY 2008 audit WCF activity, resulted in an unqualified opinion. An unqualified opinion is the most desirable opinion. It expresses from the auditors' perspective that there has been no unresolvable restrictions on the scope of the audit and that the auditors found no significant problems with regard to the representation of the financial statements.