

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
2018 Summary Statement and Initiatives**

(Dollars in Thousands)

	FY 2016 Actual¹	FY 2017 Annualized CR	FY 2018 Anticipated
Financial Management, Procurement, Travel and Relocation	27,206	24,190	24,190
Human Resources	16,476	16,587	16,587
National Finance Center Payroll Processing	...	1,242	1,242
Management Data Initiative	6,550
Grand Total	\$43,682	\$42,019	\$48,569

1. Program Purpose and Fiscal Year 2018 Budget Overview

- The Working Capital Fund (WCF) serves as a mechanism for the Department of Housing and Urban Development (HUD) to finance enterprise goods and services.
- The WCF assists HUD program offices in achieving their missions by providing efficient, cost-effective, customer-focused enterprise support services on a fully cost recoverable, fee-for-service basis.
- Initial WCF operations began in fiscal year 2016, with full implementation occurring upon enactment of appropriations in fiscal year 2018.
- The fiscal year 2018 President’s Budget of \$48,569,366 is \$6,550,000 more than the fiscal year 2017 Annualized CR level. These funds are requested across HUD’s S&E accounts and reflected in the WCF as spending authority from offsetting collections; the Budget does not request a direct appropriation for the WCF.

2. Request and Anticipated Revenue

The 2018 request provides for each HUD office to pay for its use of WCF goods and services, through payments to the WCF for its estimated share. HUD estimates \$48,569,366 in total WCF costs and revenue for 2018, which is \$6,550,000 above the estimated costs for fiscal year 2017. The requested level is expected to support:

¹ Additionally, an unobligated balance of \$9,633,565 was brought forward on October 1st, 2016.

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- Financial management, procurement, and travel services provided by the Administrative Resource Center (ARC) at a cost of \$24,190,000.
- Human resources processing services provided by ARC at a cost of \$12,796,000.
- Human resources platforms provided by the Department of the Treasury's Shared Services Programs at a cost of \$3,791,000.
- NFC payroll processing at a cost of \$1,242,000.
- Management Data Initiative at a cost of \$6,550,000.

HUD estimates that funding provided at the fiscal year 2017 Annualized CR level for current activities will be held flat through fiscal year 2018, as no change in service costs for financial management or human resources WCF operations are forecasted. Additional reimbursements to the WCF are proposed to assist the Department in standing up a management data governance and analysis initiative, which will support oversight efforts for HUD data consolidation and provide vital data analysis support to HUD offices.

3. Justification

Background

Beginning in fiscal year 2016 with the enactment of the Consolidated Appropriations Act, 2016, Congress established the WCF to provide a mechanism for the Department to provide enterprise level services to HUD offices in an efficient, effective, and transparent manner. Throughout fiscal years 2016 and 2017, HUD worked to establish WCF governance and financial management protocols, per best government practices as outlined by the Office of Management and Budget and the Government Accountability Office. HUD successfully established WCF oversight committees, transparent WCF accounting practices, and customer billing practices during this period.

In fiscal year 2017, the WCF began directly paying the costs of HUD's shared services agreements, and performing cost recovery procedures by billing the Office of the Chief Financial Officer (OCFO) and the Office of the Chief Human Capital Officer (OCHCO) for the cost of the agreements aligned to the functions of each office. The Working Capital Fund Division (WCF-D), as a part of OCFO, oversees the financial operations of the WCF, while management and oversight responsibilities for providing the core WCF goods and services remain with the servicing business line owners.

The Federal shared services currently financed through the WCF include shared services agreements with the Department of the Treasury for HUD financial management, procurement, and travel in which the OCFO is the business function lead. These shared services include a full range of accounting and procurement services such as budget and financial transaction processing, purchase and fleet card services, and financial reporting. Travel and relocation services provided to HUD include E-Gov Travel Service (Concur), travel help desk, travel card administration, travel payments, and relocation processing and payments. The Department

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also receives human resources services from the Department of the Treasury and from the National Finance Center (NFC), with the Office of the Chief Human Capital Officer (OCHCO) acting as the servicing business lead. OCHCO-managed shared services include: job classification, staff acquisition, payroll and payroll processing (including WebTA and NFC charges), personnel records and processing, employee benefits, workers' compensation, personnel background checks, back-office HR functions through HR Connect, talent acquisition through CareerConnector, and performance management through InCompass.

WCF Implementation Progress and Outcomes

When fully implemented, the WCF will enable the Department to achieve the following outcomes:

- **Provide efficient and effective delivery of enterprise goods and services**
 - Across the Federal Government, Working Capital Funds are considered a best practice as a mechanism for financing and operating enterprise goods and services. The WCF model allows HUD to achieve efficient acquisition and implementation of services that are common across HUD offices through a joint funding model that is scalable according to office needs. This results in a lean, accountable, more efficient HUD that works for the American people.
- **Incorporate incentives for program offices to utilize WCF services efficiently by aligning costs to usage**
 - In fiscal year 2017, the WCF began providing service usage reporting across WCF service lines to all HUD customers on a quarterly basis. The reports are used by HUD offices to review the services attributable to their offices, to identify management policies or operational practices that could be modified to increase efficiencies, and to forecast funding requirements for administrative services throughout the fiscal year.
 - As program offices begin to bear the cost of transactions, offices will be better equipped to manage business operations to maximize limited resources by continually evaluating and refining core business processes.
- **Reduce overlap and duplication of efforts by providing a joint platform for common administrative needs across offices**
 - At the discretion of the Secretary, HUD anticipates expanding the WCF to incorporate other common administrative goods and services, including additional investments that are consistent with the goals of the WCF. For any proposed investment, HUD will evaluate the benefits and efficiencies of financing through the WCF, and whether there is an accurate, practical, and transparent method for assessing costs for the good or service to the program office. Investments will only be added to the extent that they are reasonably anticipated to result in improved efficiencies.

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- **Demonstrate transparency into the operation and management of common HUD services, and into the overall costs to administer programs**
 - HUD has established a strong set of oversight and reporting mechanisms to promote transparency and accountability in WCF operations. The WCF is overseen by a Working Capital Fund Committee (WCFC), which is composed of HUD General Deputy Assistant Secretaries and chaired by the Deputy Chief Financial Officer. The WCFC is responsible for reviewing and approving the annual billing model, analyzing and approving additional business lines into the WCF, and acting as a forum for sharing information and best practices on WCF service utilization. By providing information and insight into annual WCF costs, services, and bills, customers are given a voice in the operations of the Fund so that the services the customers are charged for accurately represent the administrative costs needed to administer their programs.
 - This transparency and accountability strengthens HUD by removing barriers that hinder all employees from delivering results.

Requested Additions to the WCF in Fiscal Year 2018

As part of the fiscal year 2018 request, HUD is proposing to include additional funding, totaling \$6.55M, reimbursed by each WCF customer for a management data initiative to drive effective management reporting critical to provide timely, accurate information necessary to support strong planning and execution of operational resources. HUD requires a management data governance and analysis function to ensure best practices for the management and analysis of HUD operational data. HUD retains operation data from nine administrative offices: These offices include the CIO, CFO, and OCHCO, and would initially make data from the CXO offices centrally available in a unified data-store to assist offices in creating centralized reporting tools for use in program analysis. This initiative would ensure that the data meets basic data quality standards, and provide timely and accurate reporting to program offices and HUD leadership for planning and improved efficiency. The proposed WCF funding will support the systems contracts that support the technology platform and provide data services across HUD offices.

**APPROPRIATIONS LANGUAGE
WORKING CAPITAL FUND
(INCLUDING TRANSFER OF FUNDS)**

The fiscal year 2018 President's Budget includes the appropriation language listed below.

For the working capital fund for the Department of Housing and Urban Development (referred to in this paragraph as the "Fund"), pursuant, in part, to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f)), amounts transferred, including reimbursements, to the Fund under this heading shall be available for Federal shared services used by offices and agencies of the Department, and for such portion of any office or agency's printing, records management, space renovation, furniture, supply or other shared services as the Secretary determines shall be derived from centralized sources made available by the Department to all offices and agencies and funded through the Fund: Provided, That of the amounts made available in this title for salaries and expenses under the headings "Executive Offices", "Administrative Support Offices", "Program Office Salaries and Expenses", and "Government National Mortgage Association", the Secretary shall transfer to the Fund such amounts, to remain available until expended, as are necessary to fund services centralized pursuant to the language before the first proviso, for which the appropriation would otherwise have been available, and may transfer not to exceed an additional \$5,000,000, in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for use for any office or agency for any such centralized purpose: Provided further, That amounts in the Fund shall be the only amounts available to each office or agency of the Department for the services, or portion of services, centralized pursuant to the language before the first proviso: Provided further, That with respect to the Fund, the authorities and conditions under this heading shall supplement the authorities and conditions provided under such section 7(f): Provided further, That up to \$6,550,000 may be made available pursuant to the authority of the Fund for the management reporting initiative to improve the effectiveness of enterprise data governance, analysis, and reporting, including information technology investments to make such improvements: Provided further, That for the specific purposes of the previous proviso, the Secretary shall transfer any amounts for related information technology investments to the heading "Information Technology Fund".

Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.