

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Chief Financial Officer

Working Capital Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Spending Authority/ President's Budget	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2020 Spending Authority	47,088	2,616	-	49,704	41,272	40,464
2021 Spending Authority	47,228	8,931	-	56,159	47,228	51,318
2022 President's Budget	66,717	8,931	-	75,648	66,717	66,717
Change from 2021	19,489	-	-	19,489	19,489	15,399

PROGRAM PURPOSE

The Department of Housing and Urban Development's (HUD) Working Capital Fund (WCF) was established by H.R.2029 - Consolidated Appropriations Act, 2016 (Public Law No: 114-113), as authorized by the Department of Housing and Urban Development Act, 1965 [Public Law No: 89-174, 42 USC §3535(f)]. The purpose of the WCF is to promote economy, efficiency, and accountability. The WCF serves as a mechanism for HUD to finance enterprise goods and services. The Working Capital Fund Division (WCFD) formulates, executes, and manages the financial operations of the WCF. Business line owners, such as the Office of the Chief Financial Officer (OCFO), the Office of the Chief Human Capital Officer (OCHCO), and the Office of Administration (ADMIN) are responsible for the management and delivery of WCF goods and services.

BUDGET OVERVIEW

The 2022 President's Budget anticipates a total operations level of \$67 million, \$20 million more than the 2021 Spending Authority from Offsetting Collections. The 2022 Budget provides for each HUD office to pay for its use of WCF goods and services, through payments to the WCF for its estimated usage share. The Budget requests funding for these WCF payments within HUD's S&E accounts. The requested level will support WCF services in **table 1** below.

TABLE 1

(Dollars in Thousands)

Working Capital Fund Services	2020 Actual	2021 Enacted	2022 President's Budget
Financial Management, Procurement, & Travel Services	24,831	25,000	26,576
Human Resources Processing	11,166	11,500	17,284
Human Resources Systems	2,671	1,735	1,842
Payroll Processing	1,187	1,152	1,221
Records Management	-	5,896	5,876
IT End-User Devices and Wireless Support	-	-	11,800
Working Capital Fund Operations	2,058	1,945	2,118
Total Operating Budget	\$41,913	\$47,228	\$66,717

Current Activities:

- Financial management, procurement, and travel services provided by the Department of the Treasury’s Administrative Resource Center (ARC)
- Human resources processing services provided by ARC
- Human resources platforms provided by the Department of the Treasury’s Shared Services Programs (TSSP)
- National Finance Center (NFC) payroll processing
- Records Management, including record storage with the National Archives (NARA)
- WCF Operations to fully recover the operational costs of the WCF

Modifications to Current Activities in 2022:

- Treasury Executive Institute (TEI) contract consolidation with TSSP
- OCFO Financial Services Management (FSADD) full cost recovery and integration

New Activities proposed in 2022:

- Information Technology (IT) end-user devices and wireless support

Selected Accomplishments in 2020 and 2021:

Throughout 2020 and 2021, the WCF collaborated with customers and service providers to improve the efficacy, efficiency, and transparency of the Fund. Notable achievements in these areas are as follows:

- Automated the WCF ordering and billing processes using robotics process automation technology
- Implemented a HUD pilot G-Invoicing initiative for customer ordering
- Finalized and distributed usage reports for customers as a Power BI dashboard
- Administered a feedback survey to measure customer satisfaction
- Launched requirements and technical design efforts with ARC in support of implementation of a Cost and Profitability Management (CPM) tool for the WCF – projected to go live in 2022
- Hired a Cost Accountant to support robust cost modeling, forecasting, and analysis

The WCFD also addressed and resolved the three GAO recommendations outlined in the GAO study of HUD’s WCF titled “HUD Could Improve Management to Better Achieve Efficiencies and Help Ensure Customer Satisfaction” (GAO-20-263). Finally, in 2021, the WCF added Records Management as a new line of business to HUD’s WCF’s suite of services.

JUSTIFICATION

HUD’s WCF provides a business-like buyer and seller approach to centralized services, aligns incentives, and brings transparency to the program offices and HUD at the enterprise level. Because program offices bear the cost of service usage, program offices are empowered to manage business operations to maximize limited resources by continually evaluating and refining core business processes. Consequently, the WCF drives cost-conscious incentives for the customer. Additionally, the WCF expands the base of stakeholders who are invested in the continuous improvement of the delivery services provided through the WCF. Customers push for effective and efficient service delivery, and support offices have the data to negotiate for an improvement in service quality and/or lower costs.

The WCFD oversees the financial management and governance of the fund. While each service financed through the WCF remains operationally accountable to the appropriate ASO office, the WCFD manages the fund's day-to-day financial operations, including the establishment of transparent and reliable unit cost accounting for all services funded through the WCF and customers who reimburse the fund for their share of services.

Fund Development

Since Fund inception in 2016, HUD's WCF has made continual progress toward becoming a mature revolving fund and promoting transparency, accountability, and efficiency. Throughout 2016 and 2017, HUD established WCF governance and financial management protocols, per best government practices outlined by OMB and GAO. HUD established WCF governance committees, transparent WCF budgeting practices, customer billing practices, and service usage reporting during this period. In 2017, the WCF began collecting reimbursements for shared services from all HUD customer organizations. In 2019, the WCF moved to a full cost recovery model, in line with OMB and GAO key operating principles for WCFs, whereby the operation and administration costs of the Fund are fully reimbursed through payments from customers. Additionally, in 2019, the WCFD began to track internal performance management metrics, and participated in a GAO study on the HUD WCF's alignment with the key operating principles for intragovernmental revolving funds. In 2021, the WCF established its first new business line since inception with the incorporation of records management services into the Fund. The WCF also set the stage for long term expansion by focusing on internal capacity building and process automation.

Quarterly, the WCFD serves its customers through improved usage reporting and usage analysis. The WCFD partially automated usage report generation, which resulted in reduced time and level of effort to produce usage reports and increased data accuracy. The WCFD also created dynamic visualizations of customer and HUD-wide usage to make reports more user-friendly.

Key Assumptions

- Substantial increases in the 2022 ARC Human Resources services lines are expected.
 - ARC notified HUD in 2020 to expect additional increases in Human Resources processing costs above standard inflation as ARC seeks to increase their onboard staffing level to account for a hiring increase at HUD. The increase in costs is a break from the past cost increase methodology, as ARC indicates they are not able to hit workload demands under past budgeted assumptions.
- Working Capital Fund Operations costs include an additional one FTE to accommodate growth in the fund, including cash management and execution analysis. This increase in personnel will be offset by a decrease in contractor support as Federal employees onboard, improving the WCF's internal capacity.
- IT end-user devices and wireless support costs include standard laptops, high-end laptops, standard mobile phones, tablet devices, Mobilized Wi-Fi (MIFI) Devices, associated voice and data plans, and specialized equipment purchases.

Working Capital Fund Key Operating Principles

- Provide efficient and effective delivery of enterprise goods and services
- Incorporate incentives for program offices to utilize WCF services efficiently by aligning costs to usage
- Reduce overlap and duplication of efforts by providing a joint platform for common administrative needs across offices
- Demonstrate transparency into the operation and management of common HUD services, and into the overall costs to administer programs

Current Shared Services

The Department of the Treasury provides shared services for HUD financial management, procurement, and travel, for 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, financial reporting, and travel and relocation services. The Department of the Treasury and the National Finance Center (NFC), with the Office of the Chief Human Capital Officer (OCHCO) acting as the servicing business lead, provide human capital platforms and services to HUD. These services include human resources transaction processing, human resources systems, and payroll processing. Records Management services are comprised of services provided through the National Archives and Records Administration (NARA) and services provided by the HUD Office of Digital Enterprise, for which the Office of Administration is the business function lead. Services include end-to-end records management costs and regulatory support services.

New Business Lines and Expansion of Existing Service Lines in 2022

The 2022 Budget expands business line offerings with the inclusion of IT end-user devices and wireless support. Additionally, the 2022 Budget consolidates TEI shared services currently paid for by OCHCO as part of the TSSP interagency agreement. Finally, the budget proposes funding FSADD through the WCF to achieve its goal of full cost recovery.

There are several benefits that accrue to any service that moves into a WCF. First, moving enterprise services into the WCF drives the efficient and effective delivery of services. Second, delivery of services through a WCF model incentivizes program offices to utilize WCF services efficiently by aligning costs to usage. Third, HUD will reduce overlap and duplication of efforts by providing a centralized funding source across HUD's enterprise. Finally, delivery of services under the WCF model drive transparency into the operation and management of the services delivered through the fund.

IT End-User Devices and Wireless Support

IT end-user devices and wireless support are comprised of hardware purchases of standard and high-end laptops, mobile phones, iPads, and MiFis, and includes the associated voice and data plans. Moving IT end-user devices and wireless support to a WCF model provides several benefits: improved planning and funds management around long-term IT investments, improved operational efficiency by allowing customers to make business decisions surrounding the devices their offices need, enhanced cybersecurity through regular device refreshes, and greater flexibility to invest in IT end-user devices and wireless support projects. Ultimately, moving IT end-user devices and wireless support to the WCF advances HUD's overall ability to thoughtfully plan for IT needs and ensures HUD's Program Offices ability to meet mission requirements.

HUD's current model to fund IT end-user devices and wireless support through the IT Fund imposes significant funding limitations on HUD's ability to thoughtfully plan for and execute against IT needs. For example, HUD lacks the ability to smooth acquisition costs over time because they must all be obligated each year, making regular IT refreshes more difficult. This inflexibility impairs HUD's ability to effectively establish and execute IT acquisition contracts. These funding limitations present not only considerable constraints around decision making and decreased operational efficiency, but also cybersecurity risks as hardware ages. Additionally, the funding limitation of HUD's current IT Fund imposes severe limitations on HUD's Program Offices ability to meet mission requirements. Moving to a WCF model mitigates these limitations and risks.

With IT end-user devices in the WCF model, HUD will be better positioned to improve and refresh end-user devices on a pre-determined schedule. Moving to a WCF model will provide suitable, risk-

based, and economical capabilities that allow HUD to meet evolving mission needs. Through the WCF model, HUD will deliver IT end-user devices and wireless support services in a more customer-centric and economical manner. Finally, with IT end-user devices and wireless support funded through the WCF, HUD's Program Offices will be better positioned to meet their mission outcomes.

TEI Interagency Agreement Consolidation

The 2022 Budget proposes funding TEI services through the WCF. Currently, TEI is provided through the human resources platforms provided by TSSP and paid for by OCHCO. Paying for TEI out of the WCF reduces the time and effort related to contract administration and eliminates an arbitrarily split funded contract. Also, moving TEI in the WCF furthers the goal of funding Federal shared services out of the WCF.

FSADD Full Cost Recovery

FSADD is an office within OCFO that manages the Financial Management line of business. Since all activities performed by FSADD are dedicated to administering, overseeing, and managing the Financial Management line of business, moving FSADD costs under the WCF model will allow HUD to achieve full cost recovery by recovering the contract administration and management costs incurred by the WCF's customers. Moving FSADD operational costs within the WCF achieves the goal of moving towards a full cost recovery model.

Removal of Restrictions limiting shared services to Federal Shared Service Providers

The 2022 Budget proposes changes to the WCF's appropriations language that removes the limitation for shared services to be provided solely through Federal Shared Service Providers. Current WCF appropriations language states that "...amounts transferred, including reimbursements pursuant to section 7(f), to the Fund under this heading shall be available only for Federal shared services used by offices and agencies of the Department." The Budget proposes the removal of the "only" restriction to allow greater continuity of operations when a Federal Shared Service Provider discontinues a service offering that HUD was using. This happened in 2021, when TSSP discontinued support for InCompass, which HUD continues to use. No other Federal Shared Service Providers offer InCompass as a service, so HUD was forced to move to a commercial service provider in 2021. Due to the restriction in the WCF's appropriations language, the service could no longer be provided through, and funded by, the WCF, and the service had to be dropped. By removing the restrictive "only" provision, the WCF will be able to ensure that current service provision continues regardless of vendor source, thus enhancing continuity of operations for current services.

Increase in Direct Transfer Authority

The 2021 WCF appropriations language omitted additional transfer authority from all such appropriations, to be merged with the Fund and to remain available until expended for any purpose. It is critical for the WCF to have restored transfer authority of \$10 million, as provided at Fund inception provided in H.R.2029 - Consolidated Appropriations Act, 2016 (Public Law No: 114-113), to support an adequate reserve balance. Adequate reserves are a critical component of any WCF, and it is critical when dealing with funding uncertainty. To ensure there is an adequate level of reserves with the addition of new business lines, the WCF requires an increase in reserves to account for the

increase in revolving fund activity. Adequate reserves also allow the WCF to reinvest in the infrastructure of the WCF and maintain an effective Capital Investment Plan (CIP).

Planned Operational Improvements

Beginning in 2022, the WCF will establish a CIP within the Fund that builds the capability for reinvestment in the infrastructure of WCF business lines to improve product and service quality and timeliness, reduce costs, and foster state-of-the-art business operations. The CIP will provide the framework for planning, coordinating, and utilizing WCF resources and expenditures to obtain capital assets. The CIP may include equipment, software, or any other appropriate capital investment for the Fund. The CIP estimates for 2022 will be finalized in 2021.

In 2020, HUD procured a CPM solution to improve management of cost allocation, ordering, billing, and usage reporting for HUD customers. From the end of 2020 through 2021, HUD will work through requirements and technical design efforts with ARC in support of the implementation of the CPM tool for the WCF with a projected go-live time frame at the end of 2021. The required functionality will include a customized data model and reporting solution specific to HUD's requirements. The CPM solution will increase the transparency and accuracy of WCF services pricing, support full cost recovery, reduce the likelihood of manual errors in data processing, create the capability to conduct 'what if' analysis, and significantly reduce the level of effort required for cost modeling and maintenance.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Explanation

For 2022, the Budget proposes changes to the appropriations language that provide the authority for the WCF to fund IT end-user devices and wireless support through the WCF, removes restrictions limiting shared service provision from only Federal sources, and adds back the transfer authority of \$10 million originally included in the 2016 appropriations language for the WCF. The Budget proposes a budget neutral realignment of budget authority for IT end-user devices and wireless support.

IT End-User Devices and Wireless Support

For a detailed shift in the budget-neutral realignment of budget authority, please see **table 2** below.

TABLE 2

Component	2022 End-User Devices - Base	2022 Allocation – End-User Devices	Realignment
ADMIN	-	502,148	502,148
CPD	-	1,106,915	1,106,915
EO	-	199,022	199,022
FHEO	-	1,080,506	1,080,506
GNMA	-	330,388	330,388
LHCHH	-	89,811	89,811
HSNG	-	3,285,641	3,285,641
OCFO	-	379,632	379,632
OCHCO	-	242,826	242,826
OCIO	-	752,369	752,369
OCPO	-	136,731	136,731

WORKING CAPITAL FUND

ODEEO	-	30,272	30,272
FPM	-	629,682	629,682
OGC	-	832,724	832,724
OBT	-	-	-
PDR	-	284,390	284,390
PIH	-	1,916,943	1,916,943
IT Fund	11,800,000	-	(11,800,000)
Total	\$11,800,000	\$11,800,000	-

Treasury Executive Institute

While the current appropriations language provides the authority to fund Federal shared services through the WCF, the budget proposes a budget neutral realignment of budget authority. For a detailed shift in the budget neutral realignment of budget authority, please see **table 3** below.

TABLE 3

Component	2022 TEI - Base	2022 Allocation - TEI	Realignment
ADMIN	-	1,185	1,185
CPD	-	5,136	5,136
EO	-	604	604
FHEO	-	2,859	2,859
GNMA	-	2,928	2,928
LHCHH	-	465	465
HSNG	-	14,037	14,037
OCFO	-	6,554	6,554
OCHCO	62,308	1,255	(61,053)
OCIO	-	3,556	3,556
OCPO	-	1,092	1,092
ODEEO	-	70	70
FPM	-	3,068	3,068
OGC	-	8,808	8,808
PDR	-	1,557	1,557
PIH	-	9,134	9,134
Total	\$62,308	\$62,308	-

FSADD

While the current appropriations language provides the authority to recover the operational costs of services provided through the WCF, the Budget proposes a budget neutral realignment of budget authority.

For a detailed shift in the budget neutral realignment of budget authority, please see **table 4** below.

TABLE 4

Component	2022 FSADD - Base	2022 Allocation - FSADD	Realignment
ADMIN	-	57,948	57,948
CPD	-	143,242	143,242
EO	-	16,063	16,063
FHEO	-	40,793	40,793
GNMA	-	25,778	25,778
LHCHH	-	22,724	22,724
HSNG	-	284,293	284,293
OCFO	1,434,036	175,726	(1,258,311)
OCHCO	-	39,581	39,581
OCIO	-	58,299	58,299
OCPO	-	48,162	48,162
ODEEO	-	4,113	4,113
FPM	-	36,473	36,473
OGC	-	21,928	21,928
PDR	-	51,368	51,368
PIH	-	407,545	407,545
Total	\$1,434,036	\$1,434,036	-

APPROPRIATIONS LANGUAGE

The 2022 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

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 pursuant to section 7(f), to the Fund under this heading shall be available [only]for Federal shared services used by offices and agencies of the Department, and for any such portion of any office or agency's *information technology end-user devices and wireless support*, printing, records management, space renovation, furniture, or supply services the Secretary has determined shall be provided through the Fund, and the operational expenses of the Fund: *Provided*, That[amounts within the Fund shall not be available to provide services not specifically authorized under this heading: *Provided further*, That] upon a determination by the Secretary that any other service (or portion thereof) authorized under this heading shall be provided through the Fund, amounts made available in this title for salaries and expenses under the headings "Executive Offices", "Administrative Support Offices", "Program Offices", and "Government National Mortgage Association", for such services shall be transferred to the Fund, to remain available until expended: *Provided further*, That the Secretary [shall notify the House and Senate Committees on Appropriations of its plans for executing such transfers at least 15 days in advance of such transfers] *may transfer not to exceed an additional \$10,000,000, in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for any purpose under this heading. (Department of Housing and Urban Development Appropriations Act, 2021.)*