

**Forest Service Handbook
National Headquarters - Washington Office
Washington, DC**

**Forest Service Handbook 6509.11f – Working Capital Fund Accounting Operations Handbook
Chapter 40 - Aircraft Program**

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Approved by: Antoine L Dixon, Chief Financial Officer

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Responsible Staff:

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Superseded Document(s): 00--1 thru 08--2, Amend 5, March 1986; 10, Amend 5, March 1986; 30--1 thru 38.23e, Amendment No. 5, March 1986; 40 thru 48.22, Amendment No. 5, March 1986; 50 thru 58.43, Amend 5, March 1986; 70 thru 75.1--4, Amend 5, March 1986; 80 thru 83.4--18, Amend 5, March 1986; 90--1 thru 94--55, Amend 5, March 1986

Digest: Following is an explanation of the changes throughout the directive by section.

Zero Code: This amendment removes obsolete chapters from the directive system as this Direction was incorporated into FSM 6580, and reserves codes and captions for future use.

10: Removes and reserve chapter 10 “Accounting System”.

30: Recodes, revises and renames the chapter title from “Equipment Rental Service” to “Fleet Program” and sets forth additional direction throughout the chapter.

40: Recodes, revises and renames the chapter title from “Equipment Maintenance Service” to “Aircraft Program” and sets forth additional direction throughout.

50: Removes and reserve chapter 50 “Supply Service”.

70: Removes and reserve chapter 70 “Adjustments”.

80: Removes and reserve chapter 80 “Report and Management”.

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Transmittal

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90: Removes and reserve chapter 90 “Data-Entry System”.

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40.2 - Objective

Objectives of the Working Capital Fund (WCF) Aircraft are to support:

1. Fire suppression activities, and,
2. Non-fire related activities including administrative passenger transport, aerial photography, wildlife management, and natural resource management.

For further direction see 41CFR§ 102-33, General Services Administration (GSA) Cost Accounting Guide and U.S. Forest Service WCF Aircraft User Guide for additional requirements.

40.3 - Policy

The WCF Aircraft provides a sustainable funding mechanism for the continued support, operation, replacement, and refurbishment of Agency-owned aircraft. All Forest Service-owned aircraft meeting the capitalization threshold and useful life as defined in the Federal Management Regulation (FMR) are to be entered and managed in the WCF Aircraft program at <http://www.gsa.gov/portal/content/102955>.

On the operational end where day-to-day activities need to be further outlined for staff function, standard operating procedures (SOPs)/Desk Guides may be developed in concert with this directive and all applicable rules and regulations. Additionally, any SOPs/Desk Guides created must reference the related directive(s) and must be approved by appropriate Staff Area Director. They must also outline the key control activities expected of that program/functional area in accordance with the GAO Green Book.

40.4 - Responsibility

40.41 - Albuquerque Service Center – Budget & Finance (ASC-B&F)

The Albuquerque Service Center-Budget & Finance (ASC-B&F) staff is responsible for:

1. Providing the WCF Aircraft Rate Calculation Template to all Regions for completion.
2. Calculating, reviewing, and approving rates that will be used by the WCF Aircraft Program to charge to the Forest Service programs.
3. Submitting final rates to Branch Chief of Airworthiness and Quality Assurance for approval.
4. Entering the final rates into the required aircraft property management system used to capture the WCF aircraft by the beginning of the 2nd quarter of each fiscal year.
5. Providing financial guidance, direction, monitoring, and oversight in collaboration with Forest Service Fire and Aviation Management (FAM) to manage Forest Service

WCF aircraft in accordance with Forest Service, U.S. Department of Agriculture, and General Service Administration (GSA) policy.

6. Creating obligations for projected fuel expenditures and process rate adjustments for Fixed Ownership Rate (FOR) transactions.
7. Providing a 10-year cash flow analysis.
8. Calculating Albuquerque Service Center, Washington Office, and Regional overhead as part of the rate calculation process

40.42 - Washington Office, Director of Fire and Aviation Management

The Washington Office, Director of Fire and Aviation Management is responsible for:

1. Providing direction and oversight to a national aviation program.
2. Ensuring appropriate financial management and support for Agency aviation program and resources.
3. Approving or disapproving equipment and procedures prior to operational testing and operational use.
4. Initiating aviation activity reviews and follow-up (FSM 1410 and FSM 5719).

Responsibilities may be delegated to the Washington Office, Fire and Aviation Management Deputy Directors and/or the Washington Office, Assistant Director, Aviation.

For further direction, see FSM 5719.04a and 5720.43.

40.43 - Airworthiness and Quality Assurance Branch Chief

The Washington Office, Fire and Aviation Management (FAM), Branch Chief of Airworthiness and Quality Assurance reports to the Washington Office, FAM, Assistant Director of Aviation for the management and supervision of airworthiness and quality assurance. The Branch Chief of Airworthiness and Quality Assurance is responsible for:

1. Developing and maintaining an airworthiness and quality assurance program.
2. Assisting the Regions with technical support, coordination, and oversight to ensure standardization within the national aircraft requirements.
3. Managing and coordinating the Working Capital Fund for all Agency-owned and -operated aircraft.
4. Providing concurrence on the final rates determined by ASC-B&F for the Aircraft Program Area.

For further direction, see FSH 5709.16, chapter 40.

40.44 - Region/Unit Responsibility

Regions shall provide a completed WCF Aircraft Rates Template for each unit to ASC-B&F no later than December 15 for use in calculating current year rates. The template for the Aircraft Rate calculation can be found at <http://fsweb.asc.fs.fed.us/bfm/programs/financial-operations/property-wcf/wcf/aircraft-policies-procedures.php>. The template is consistent for all Regions and provides space for each Region to report unusual circumstances.

Estimated costs are based on the previous 3 fiscal years historical costs and include projected changes in programs, personnel, maintenance costs, the number of aircraft, and type of aircraft. Please refer to sections 41.1 and 41.2 for costs that are submitted to ASC-B&F by Regions/Units. Aircraft must not be operated in the forthcoming calendar year if rates are not submitted by December 15. Invoices for the use of the Aircraft must be held until the rates for the current fiscal year have been determined. This ensures that the rates for the current year are being charged. For further direction see U.S. Forest Service WCF Aircraft User Guide.

41 - Rate Calculation and Development

In order to ensure full cost recovery, ASC-B&F calculates annual rates based on estimated expenses provided by the Regions, Stations, and the Area to ASC-B&F. Additionally, the WCF Aircraft must account for all operations and maintenance costs for facilities whose primary purpose is for a WCF program. The information is utilized when calculating the rates. The Agency may utilize any business process improvements to create efficiency in the calculations of these rates with approval of all affected staff areas, for example, Cost Pools, as applicable, may be used to fund Aircraft related facilities maintenance at a national level, as opposed to a more detailed allocation process to capture these costs at the Unit level. After rates have been calculated, the Cash Flow analysis is performed and a determination of the rates is made based on this analysis:

1. Fixed Ownership Rate (FOR).
2. USE Rate.
3. 10-year Cash Flow Analysis.

For further direction, see U.S. Forest Service WCF Aircraft User Guide.

41.1 - Fixed Ownership Rate (FOR)

The Fixed Ownership Rate (FOR) is a monthly rate established to recover the fixed costs of using the WCF aircraft and for maintaining aircraft availability. The FOR is the charge for the availability of the equipment and is charged monthly whether or not the aircraft is used. Documentation must be maintained to support rate calculations of the FOR. The FOR is chargeable on a monthly basis.

Examples of Fixed Costs include, but are not limited to:

1. Program Management Costs. Cost of salaries, travel, or managerial employees when work performed is directly related to WCF aircraft management by Regional, ASC-B&F, and Washington Office employees.
2. Direct Labor and Travel. For Pilots or Mechanics who are required to travel for WCF purposes pertaining to the direct maintenance of a WCF aircraft.
3. Depreciation. Based on a 20-year life cycle for new aircraft.
4. Annual Increased Replacement Cost (IRC) Factor. This factor must be the difference between the cost of the original piece of equipment and the estimated cost of replacing that equipment. The replacement factor must include any increases necessary for covering anticipated upgrading as long as the use of the new equipment is for the same general purpose. It also includes an inflation factor.
5. Hangar & Utility Costs attributed to the aircraft.

41.2 - USE Rate

The USE rate recovers the variable costs incurred in the operation and maintenance of the aircraft. Variable costs will increase or decrease with changes in the use of the equipment. USE rates are charged based on an hourly flight rate.

Examples of variable costs include, but are not limited to:

1. Regular Maintenance Costs. The maintenance costs can relate to repairs performed internally or through a third-party via a contract. The maintenance costs used for the calculation of the USE rates are based on the actual flight hours and the maintenance costs for the past 3 fiscal years.
2. Fuels & Lubricants.
3. Deferred Extraordinary Maintenance/Airworthiness and Overhaul.
 - a. These costs are a projection of upcoming major maintenance expenses such as engine overhauls, props, and so forth that will occur over the next 10-years. These costs include avionics, paint, landing gear, or major inspections.
 - b. These estimates are developed by the Maintenance Program Manager based on aircraft maintenance, inspection and component overhaul limits as determined by the OEM, airworthiness directives, and program direction.
4. Other Miscellaneous Costs that vary with usage.

41.3 - Cash Flow Analysis

An annual analysis which includes a 10-year projection of the forecasted income and expenditures must be completed for each WCF Region to identify on-going operating fund balance reserve amount. Inflation factor may be used as part of the 10-year projection and the inflation factor must be applied to the analysis forecasted expenses. The methodology and calculations developed for all Forest Service specific percentages must be reliable, complete, applied consistently, and must withstand audit scrutiny. Additionally, the methodology must be documented and retained on file for 5-years (see FSH 6209.11, chapter 40, section 42). The excess amount in reserve can be adjusted through rate adjustments and the percentage of reserve held must be justified (see FSM 6580.3).

41.4 - Consistent Rate Calculation Approach

All Regions must follow a consistent method for determining the fixed and variable costs and Cash Flow Analysis. The costs that should be included in the FOR and USE rates are outlined in section 41.1 through 41.3. For further direction see U.S. Forest Service WCF Aircraft User Guide which details the costs involved and can be found at http://fsweb.asc.fs.fed.us/bfm/programs/financial-operations/property-wcf/wcf/documents/WCF_Aircraft_User_Guide_3_8_2016.docx.

WCF program areas should operate through full cost recovery. Applicable costs (both fixed and variable) must be recovered by the WCF program area through Fixed Ownership (FOR) and USE rates. For the Aircraft program, all fixed costs associated with owning an aircraft and all variable costs and reserves associated with maintaining that aircraft must be considered when determining the rates to be charged to the Forest Service unit or an external customer for the use of the aircraft. Although the WCF activities must not generate any profit, there may exist excess cash balance that may be necessary as future replacement costs or extraordinary maintenance. A cash flow analysis must be conducted to ensure that the fund balance is sufficient and supported by valid analysis.

Rate and Cash Flow analyses are to be performed annually with necessary rate adjustment actions taken to ensure full cost recovery for services rendered, adequate cash flow reserve for continuing operations, and to prevent excess cash balances in the WCF program. Based on regional differences or unique circumstances, additional cash reserves may be collected when calculating the rates to cover future expenses.

42 - Financial Management

At the Regional level, financial planning for the aircraft and aircraft equipment and service requires coordination between all levels of Forest Service management. In developing program plans, the Regional Aviation Officer forecasts their needs for specific types of equipment and estimates the use of the asset. The Regional Aviation Officer (RAO) provides this information to their Budget Officer, or equivalent on the Unit, who uses the data to formulate the FOR and USE rate in the budget and forwards it to the next level. Then the RAO and Budget Officer complete

the Regional budgeting, rate, and price calculations for approval by ASC B&F with review by the Branch Chief of Airworthiness and Quality Assurance or delegated representative.

It is the responsibility of the user Unit to ensure all items and or services being procured or incurred for WCF aircraft are charged to the proper job code so accurate costs are reflected under the correct Account Codes in the WCF financial accounting and property management information system.

For Contract Aircraft, refer to: FSH6509-11g, section-51.21b.

43 - Rate Distribution and Reporting

ASC-B&F reviews the cost information submitted by Regions/Units and collaborates with the Regions/Units to finalize the FOR and USE rates. Once the Airworthiness Branch Chief has provided concurrence on the rates determined by ASC- B&F, the final FOR and USE rates are then entered into the required aircraft property management system used to capture the WCF aircraft cost information by ASC-B&F by the beginning of the 2nd quarter of the fiscal year.

43.1 - FOR Charge Rate

A rate calculation is made for each type of class code. The Unit the aircraft is assigned to (Unit hosting the aircraft) on the first day of the month is responsible for paying the FOR that month until the aircraft is reassigned. A monthly FOR is charged to their job code for each aircraft whether or not the Unit operates the equipment. The FOR is charged based on the form FS 6500-62, Fleet and Aircraft Fixed Ownership Rate Budget, that ASC-B&F received from the Aviation Officer from each Region. The project job code charged by the Region is provided by a Regional Budget Officer. When the FOR is collected, the WCF job code is charged as the revenue collected and the project job code shows the expense.

If any aircraft is requested for use by another Federal Agency for non-fire operations, a reimbursable agreement is set up with the agency where the Forest Service will charge the established FOR rate. The same FOR rates are charged to internal Forest Service and external customers.

43.2 - USE Charge Rate

The USE rates are charged to the user Unit requesting the flight based on flight hours. The number of flights hours for which the equipment was utilized is multiplied by the USE rate. Multiple job codes may be charged for each aircraft as multiple projects can use the aircraft in a given day. The project job code(s) charged by the Regions are provided by the requesting project or unit. When USE is collected, the project job code is expensed and the appropriate WCF job code is credited with the income.

The USE rates can also be charged to an external customer, such as another Federal Agency if requesting to use Forest Service aircraft. A reimbursable agreement is set up with the Federal

Agency where the Forest Service will charge the established USE rate. Unless otherwise negotiated the same USE rates are charged to internal Forest Service and external customers.

44 - Income and Expenditures

Regions shall continually monitor and track the expenditures and income associated with their WCF Program on a quarterly basis at a minimum (monthly is recommended) by reviewing the appropriate accounting information. Regions shall work with their Regional Budget or Program Representative(s) to ensure expenditures are valid and charged to the correct job code. This will ensure accurate cash balances to set future rates. Regions shall contact ASC-B&F to perform accounting adjustments on any expenditure errors identified. Supporting documentation must be submitted with the request.

For further direction see U.S. Forest Service WCF Aircraft User Guide.

45 - Aircraft Acquisition and Capitalization

All decisions to acquire, transfer, donate, or lease aircraft in the WCF, must be approved by the Washington Office, Director of Fire and Aviation Management (FAM). All efforts to obtain an aircraft for use must be coordinated, directed, and approved through the Washington Office FAM (FSH 5709.16, ch. 40). These rules apply to all federally funded aviation activities of executive agencies of the U.S. Government with exceptions (see 41 CFR 102-33).

Once an aircraft has been approved, all costs of purchasing the aircraft are financed by the Washington Office, FAM from WCF funds, project funds, or a combination of both. If for some reason there are insufficient funds in the WCF account to cover the entire purchase, project funds must be transferred into the WCF account for purchases.

Donated aircraft or aircraft equipment must also be approved by FAM.

All costs of acquiring and readying aircraft for Forest Service use must be capitalized. The capitalization threshold is \$25,000 for upgrades and improvement to aircraft in the WCF. For new aircraft, the acquisition cost plus costs to get the aircraft mission ready is capitalized if it meets the \$25,000 threshold. For used aircraft, the amount capitalized (if meeting the \$25,000 threshold) is the fair market value, less equipment removed, plus all costs of returning the aircraft to an airworthy, mission ready condition.

For further direction see 41CFR§ 102-33, General Services Administration (GSA) Cost Accounting Guide and U.S. Forest Service WCF Aircraft User Guide for additional requirements.

46 - Disposal, Transfer of Excess Aircraft and Aviation Equipment

Prior approval to dispose of, and transfer aircraft and utilize funds for the purchase, refurbishment, and upgrades from the Washington Office must be obtained from the Washington Office FAM Director or their designee.

Aircraft and aircraft equipment that are in excess of the Agency's needs must be reported as excess property to GSA (see parts 41 CFR 102-33.265, 102-36 and 102-37). GSA will dispose of the property, giving priority first to transferring it to another Federal agency, next to donating it as surplus property, and finally to selling it to the public as surplus

47 - Accident, Misuse, and Abuse Expenses

Occasionally equipment incurs damage as a result of the incident, accident, misuse, or abuse. When this occurs on any fire incident or project, the related repair may be charged to the user's job code. If the financial responsibility lies with a person (misuse of aircraft, equipment, and purchase card) or project other than WCF, ASC B&F, Over the Counter staff will prepare an appropriate bill for collection document showing income to the related WCF account.

When a WCF aircraft incurs damage beyond repair (totaled), charge the loss (capitalized value, less accumulated depreciation, less the actual or estimated amount from the sale) to the responsible person or project. With proper accountability, the responsible person or project usually reimburses the WCF for damage resulting from accident, misuse, or abuse.