



Assessment of Alternative Funding Models for Activities in RDECOM (Now CCDC) and ATEC

Drake Warren, Heather Krull, Jennifer Lamping Lewis, Aisha Najera Chesler, Ellen M. Pint, and J. Michael Gilmore

www.rand.org/t/RR2818

To help the U.S. Army increase the transparency of reimbursable accounting practices and improve auditability, the authors assess current funding models and impacts that alternative models would have on suppliers, customers, and the Army at two commands that rely heavily upon reimbursable funding. They recommend keeping current models but making improvements that would allow the commands to address stakeholder financial and accounting concerns.



RESEARCH QUESTIONS

- Can military departments minimize reimbursable civilian personnel costs to increase the transparency of accounting practices and improve auditability?
- What approaches would be the most effective to funding the activities of RDECOM and ATEC (both of which rely to a large extent on reimbursables)?
- How do these potential approaches compare with the current funding models?
- What are the remaining challenges to incorporating a new funding model?



KEY FINDINGS

RDECOM and ATEC should pursue improvements to their current funding models

- This would allow them to address stakeholder financial and accounting concerns without the drawbacks and risks of alternative funding models.

Two of the alternatives considered have significant drawbacks

- Relying entirely on direct appropriations instead of reimbursable funding would address most financial and accounting concerns. However, full appropriations would severely jeopardize the performance of the commands because it would reduce their ability to pivot resources and adapt to changing customer

continued on back

and Army priorities, would provide services for “free” to customers leading to capacity shortfalls, and may reduce or eliminate the incentive to be responsive to customer and Army needs.

- A working capital fund (WCF), which is exempt from the Office of the Secretary of Defense guidance to reduce reimbursables, would standardize Army practices. However, it would be unlikely to address many stakeholders’ financial and accounting concerns and would likely raise customer prices leading to customers reducing demand and RDECOM and ATEC divesting of capabilities.
- RDECOM could potentially move into a WCF, but the costs and risks of such a change likely outweigh the benefits.
- Current laws and policy would severely constrain the Army’s ability to shift ATEC’s Major Range and Test Facility Base (MRTFB) ranges to an alternative funding model that relied more on reimbursements from customers, such as a WCF.
- The only alternative model without significant drawbacks would fund ATEC’s non-MRTFB capabilities similarly to MRTFB capabilities, but it is unlikely to be a desirable business model for the Army.



RECOMMENDATIONS

- The authors recommend that RDECOM and ATEC continue to operate their current funding models but implement improvements to accounting and business practices.
- RDECOM should continue to operate within a model where it recovers most or all its costs from reimbursable funding from customers and appropriations that are treated equitably.
- ATEC’s MRTFBs should continue to use appropriations to fund its indirect costs but reimbursable funding from customers to fund its direct costs.
- ATEC’s non-MRTFB capabilities should continue to operate in a model where they recover most or all of their costs from reimbursable funding from customers who are treated equitably.
- RDECOM and ATEC should pursue improvements to their current funding models that would allow them to address stakeholder financial and accounting concerns without the drawbacks and risks of alternative funding models.