CHAPTER 1

ACCOUNTING OVERVIEW

1. PURPOSE.

The purpose of the Financial Management Handbook (Handbook) is to present the Department of Energy's (DOE's) standards, procedures, and operational requirements in support of the accounting policies, principles, and applicable legal requirements contained in DOE Order 534.1B. Specifically, it provides guidance regarding the central agencies' accounting principles and standards-that is, the Office of Management and Budget (OMB), Department of the Treasury (Treasury), and Government Accountability Office (GAO) that must be followed. It also provides general guidance for accounting and financial management policies for functions and responsibilities not otherwise covered and that may be unique to DOE, such as the Nuclear Waste Fund.

2. APPLICABILITY.

a. Departmental Applicability. The provisions of this Handbook apply to all Departmental elements.

The Administrator of National Nuclear Security Administration (NNSA) must assure that NNSA employees comply with their respective responsibilities under this Handbook. Nothing in this Handbook will be construed to interfere with the NNSA Administrator's authority under section 3212(d) of Public Law (P.L.) 106-65 to establish Administration-specific policies, unless disapproved by the Secretary.

In accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 USC sections 2406 and 2511 and to ensure consistency through the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this Handbook for activities under the Director's cognizance, as deemed appropriate

b. DOE Contractors. The provisions of this Handbook apply to site/facility management contractors and other major contractors performing work for the Department as provided by law or contract as implemented by the appropriate contracting officer. Contractors who are not site/facility management contractors or other major contractors shall follow the applicable standards and procedures as specified in this Handbook if provided in their contracts.

c. Exclusions. The Bonneville Power Administration (BPA) is governed by the provisions of the Government Corporation Control Act and, as such, operates in accordance with generally accepted accounting principles issued by the Financial Accounting Standards Board. Therefore, BPA is exempt from the provisions of this Handbook.

3. REQUIREMENTS.

a. DOE shall maintain a system of accounts in accordance with regulatory requirements established by Treasury. The system of accounts shall adhere to generally accepted accounting practices and procedures when not otherwise covered by Treasury regulations. Although a uniform classification of accounts is prescribed for DOE elements, each power marketing administration and Federal Energy Regulatory Commission may have a chart of accounts based on its own requirements.

b. Heads of contracting activities or designees shall interpret the provisions of this Handbook and review and approve the practices and procedures necessary for the Department's site/facility management contractors and other major contractors to maintain a system of accounting acceptable to DOE. The site/facility management contractors and other major contractors contractor's customary accounting practices shall be accepted if they provide the necessary DOE financial reports and do not conflict with the provisions of this Handbook.

c. The Department's standard general ledger account codes and definitions and related financial codes are maintained by the Office of Finance and Accounting. The standards, procedures, and operational requirements in this Handbook are consistent, as appropriate, with the Statements of Federal Financial Accounting Standards (SSFAS), or GAO title 2 in the absence of SFFAS.

4. RESPONSIBILITIES.

a. Chief Financial Officer. The Chief Financial Officer approves or disapproves requests for exceptions or exemptions from the provisions contained in this Handbook except where authority has been delegated to the field organization.

b. Director, Office of Risk Management and Financial Policy.

(1) The Director, Office of Risk Management and Financial Policy, addresses all inquiries about policy interpretations of, or proposed revisions to, this Handbook.

(2) As required in DOE Order 251.1C, *Departmental Directives Program*, DOE Field CFOs will be afforded a reasonable opportunity to review and comment on draft Handbook chapters that provide guidance, instruction or direction to Field CFOs.

(3) The process for updating this Handbook is contained in Attachment 1 to this chapter.

c. Heads of contracting activities. Heads of contracting activities or designees shall interpret the provisions of this Handbook and review and approve the practices and procedures necessary for the Department's site/facility management

contractors and other major contractors to maintain a system of accounting acceptable to DOE.

5. REFERENCES.

a. Statements of Federal Financial Accounting Standards (SSFAS), Pronouncements as Amended, issued by the Federal Accounting Standards Advisory Board contain the body of accounting concepts and standards for the U.S. government. http://www.fasab.gov/codifica.html

b. Government Accountability Office Policy and Procedures Manual for Guidance of Federal Agencies. http://www.gao.gov/special.pubs/ppm.html

Attachment 1
Process for Revisions to the DOE Financial Management Handbook

This process establishes the timing and roles and responsibilities for updates and technical corrections to DOE Financial Management Handbook Chapters (Handbook). Changes to the Handbook may be necessary, for example, when:

- Regulatory requirements established by agencies such as OMB, GAO, Treasury and related central agency guidance is issued or revised;
- Significant organizational changes occur within DOE that affect Handbook responsibilities; or
- Corrections to Handbook content are required.

AUTHORITIES:

DOE Order 251.1 Departmental Directives Program

3. APPLICABILITY.
c. Equivalencies/Exemptions for DOE O 251.1C.
(4) Exemption. The Chief Financial Officer's Accounting Handbook. However, DOE Field CFOs will be afforded a reasonable opportunity to review and comment on draft handbook chapters that provide guidance, instruction or direction to Field CFOs.

DOE Order 534.1B, Accounting

5. RESPONSIBILITIES.
c. Chief Financial Officer.
(1) (b) Issues the DOE Accounting Handbook, which sets forth the financial and accounting standards and operational requirements to implement this Order.

e. Heads of Departmental Elements.
(1) Ensure that the most recent edition of the DOE Accounting Handbook is applied to functions over which they have program direction and management responsibilities, both in the field and at Headquarters, and that the requirements in the handbook are carried out.

6. REFERENCES
c. Department of Energy Accounting Handbook. The primary vehicle for DOE's accounting/financial reporting requirements.

Attachment 1. Contractor Requirements Document

Integrated Contractors. As an integrated contractor of the Department of Energy (DOE), you must maintain a separate set of accounts and records for recording and reporting all business transactions under the contract. Your books of account must be integrated with those of the Department through the use of reciprocal accounts. Your system of accounts must conform with generally accepted accounting principles, produce accurate results,

and provide the necessary DOE financial reports. Your system of accounts must not conflict with DOE O 534.1A or the *DOE Accounting Handbook* (versions in effect as of the date of contract award or contract modification). You must comply with subsequent revisions to DOE O 534.1A or the *DOE Accounting Handbook* when notified under the "Laws, regulations, and DOE directives" clause of the contract. You must follow the applicable standards and procedures in the *DOE Accounting Handbook.*

Nonintegrated Contractors. You must follow the applicable standards and procedures in the *DOE Accounting Handbook* (version in effect as of the date of contract award or contract modification). You must comply with subsequent revisions to the *DOE Accounting Handbook* when notified under the "Laws, regulations, and DOE directives" clause of the contract.

UPDATE PROCESS: MAJOR REVISION

A Major Revision is defined as any update that creates a substantive change to the policy.

1. Determination that update is needed: Office of Risk Management and Financial Policy management, in coordination with staff, determines that an update is appropriate. The determination could be triggered by multiple events, including:
   a. New or revised legislative or regulatory requirements;
   b. Comments, questions, or request for update by stakeholders;
   c. Audit findings; or
   d. A periodic review of the chapter by Financial Policy staff.

2. Preparation of initial draft for revised Handbook chapter:
   a. Assignment to lead Financial Policy analyst for coordination.
   b. Lead Financial Policy analyst will identify CFO stakeholders and subject-matter experts and will consult with these experts on:
      i. The continued relevance of the chapter or chapters to be amended.
      ii. The appropriate organization of the chapters' content (retain in current chapters, move/consolidate with other chapters).
      iii. Needed revisions to the chapter's content and suggested language for the revisions.
   c. If necessary for complex issues, the Financial Policy team may assemble a working group to assist in revising the chapter.
   d. Based on input from the stakeholders and/or working group, Financial Policy staff prepares a draft chapter marked to show changes from previous revisions. In providing the draft for comment, Financial Policy will describe the reasons for the planned changes.

3. Review and comment process:
   a. CFO Office Directors and staff, Field CFOs, and site/facility management contractor CFOs, Headquarters Program Offices, and any other key stakeholders with a reasonable opportunity to review and comment on the draft revision to the Handbook chapter. Typically, review and comment

period should last at least two weeks, unless determined otherwise by Financial Policy management. In providing the draft for comment, Financial Policy management will describe the reasons for the planned changes.

b. If no comments are received, Financial Policy will assume concurrence with the proposed revisions.

c. Financial Policy staff and management will review and document comments received and incorporate comments into the chapter as appropriate.

d. The proposed update is provided to the Deputy CFO and CFO for review and concurrence, along with a record of comments received and the disposition of those comments.

e. After CFO concurrence, the revised Handbook chapter will be posted on the appropriate CFO website and CFO Office Directors and staff, Field CFOs, and site/facility management contractor CFOs, Headquarters Program Offices, and any other key stakeholders will be notified.

UPDATE PROCESS: TECHNICAL REVISION

A technical revision clarifies existing policy but does not create a substantive change to the policy.

1. Financial Policy staff prepares a draft containing the technical correction marked to show the change from previous revisions.

2. The draft is forwarded to CFO Office Directors, Field CFOs site/facility contractor CFOs, Headquarters Program Offices, and any other key stakeholder for a comment period of no more than 1 week. In providing the draft for comment, Financial Policy will describe the reasons for the planned changes.

3. Comments are reviewed by Financial Policy staff and management and incorporated into the chapter as appropriate. Financial policy staff will document the reason for not incorporating comments.

4. Final approval of the revised chapter is delegated to the Director for Risk Management and Financial Policy.

5. After approval, the revised Handbook chapter will be posted on the appropriate CFO website and CFO Office Directors and staff, Field CFOs, and site/facility management contractor CFOs, Headquarters Program Offices, and any other key stakeholders will be notified.

CHAPTER 2

ADMINISTRATIVE CONTROL OF FUNDS

1. INTRODUCTION.

a. Background/Authority. Title 31, section 1514, of the United States Code (31 U.S.C. 1514), Administrative Division of Apportionments, requires the Secretary of Energy to prescribe and carry out a system for administratively controlling funds. In compliance with this requirement, this chapter establishes the policy and general procedures for administrative control of funds within Department of Energy (DOE), and specifies the penalties that apply to persons who violate these procedures. Additional information regarding DOE's internal control requirements can be found in DOE O 413.1A, Management Control Program.

b. Applicability. This chapter is applicable to all Departmental elements, including the National Nuclear Security Administration, and applies to all appropriated funds, revolving funds, trust funds, and any other funds subject to fiscal limitations. All exemptions from administrative control of funds functions are subject to the prior approval of the Director of the Office of Management and Budget (OMB). DOE fund control policies and procedures shall be in effect only to the extent approved by OMB. This chapter does not apply to DOE's contractors.

c. Policy (Objectives). Program and budget officials shall perform administrative funds control by planning, programming, and using integrated budget and accounting systems to preclude violations of the Anti-Deficiency Act. If deemed appropriate, an office may use local systems to complement and enhance the control, recording, and reporting of accounting and budgetary activities and status of the budget. The administrative control of funds shall satisfy the requirements set forth in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. At a minimum, the following requirements must be met:

(1) Funds are expended solely for the purposes for which they were appropriated, except as otherwise provided by law;

(2) Funds are certified as available and committed before obligation;

(3) Obligations or expenditures are not authorized or incurred in excess of available funds or in excess of any legal or administrative limitations;

(4) Only valid obligations are recorded in the accounting records, and all obligations incurred are recorded accurately and promptly; and

(5) Outstanding obligations are validated annually.

2. BUDGETARY RESOURCES AND DISTRIBUTION.

a. Management of Budgetary Resources.

(1) **Appropriations.** Appropriations are acts of Congress, signed into law by the President, that provide budget authority and permit a Federal agency to incur obligations and to spend public funds, including authority to obligate and expend offsetting receipts and collections that are provided in appropriations acts and other provisions (OMB Circular A-11).

(2) **Apportionments.** An apportionment is a plan, approved by OMB, to spend resources provided by law. Apportionment requests are submitted to OMB on Standard Form (SF) 132, Apportionment and Reapportionment Schedule, and funds apportioned are made available to DOE for allotment, obligation, and expenditure. The apportionment process is detailed in DOE M 135.1-1A, Budget Execution, and in OMB Circular A-11.

Under a continuing resolution, OMB issues a bulletin to automatically apportion amounts made available by continuing resolutions that expire before the end of the fiscal year.

(3) **Allotments.**

(a) On behalf of the Secretary and the Chief Financial Officer (CFO), the Director, Office of Budget, formally distributes and withdraws obligating authority through the use of allotments, suballotments where applicable, and the corresponding approved funding programs (AFP). Allotments and suballotments authorize recipients to incur obligations for a specified amount and purpose, record legal limits on the use of funds, and are made in accordance with OMB Circular A-11. As directed by 31 U.S.C. 1514, allotments will be issued at the highest level that is practical and consistent with effective and efficient management; accordingly, allottees shall not be financed from more than one allotment for each appropriation or fund account. Allotments are the formal mechanism by

which DOE assigns responsibility (31 USC 1514, the Anti-deficiency Act) for compliance with DOE administrative control of funds and the Anti-deficiency Act. Suballotments represent a formal subdivision of the total amount reflected on an allotment and, as such, establish separate legal limitations under the Anti-Deficiency Act. Allotments and suballotments, if used, ensure strict compliance with statutory limitations/restrictions (i.e., statutory) congressional items of interest imposed by Congress and OMB, as well as critical administrative limitations imposed by the Department. The Advise of Allotment form identifies the appropriation, the amounts available for obligation for both direct and reimbursable work, and any specific legal limitations or administrative remarks. Applicable suballotments will be identified in the instruction section on the Advice of Allotment Form; related dollar amounts will be specified either by direct citation on the form, or by explicit reference to a program, project, or activity contained in the associated AFP or other attendant documentation. For a complete description of the DOE allotment and AFP process, see DOE M 135.1-1A.

(b) Appropriation laws are sometimes passed too late to allow the normal administrative lead time necessary to obtain apportionment and warrant documents. If DOE were then to wait for guidance from OMB and the Department of the Treasury (Treasury), request apportionments and warrants, and wait for their receipt, DOE would be forced into a no-funds situation, even though appropriation legislation had been signed into law. When the passage of such legislation clearly shows that Congress intended to continue Departmental operations, DOE shall proceed to allot sufficient funds on an interim basis, within the guidance of the law, to permit operations until the necessary apportionments and warrants are obtained, thus avoiding a possible no-funds situation. For information regarding automatic apportionment while under a continuing resolution, see section 2a(2).

b. **Types of Budgetary Resources.** The Office of Budget allots direct obligational and reimbursable obligational authority.

(1) **Direct Obligational Authority.** Direct obligational authority consists of new budgetary authority, unobligated balances, recoveries of prior-year obligations, appropriation refunds, and restorations. Direct obligational authority allotments are legal

funding limitations. If the direct obligational allotments are either exceeded or used for a purpose other than that intended by Congress, a legal violation may occur.

(a) New Budgetary Authority.

1. DOE receives its primary source of direct new budget authority and obligational authority through appropriations. An appropriation act specifies the amount of obligations that can be incurred and the period of obligational availability. The three most common periods are:

a. *Annual Authority* – authority that is available for new obligations for only one specific fiscal year or less.

b. *Multi-Year Authority* – authority that is available for new obligations for two or more fiscal years.

c. *No-Year Authority*- authority that is available for new obligations for an indefinite period of time, usually until the objectives for which the authority was made available are attained.

2. *Contract Authority.* Contract authority is specific statutory authorization to enter into contracts or other obligations in advance of appropriations. Contract authority requires a subsequent appropriation or the collection of revenues to liquidate (pay) the obligations incurred.

3. *Borrowing Authority.* Borrowing authority is statutory authority to permit obligations to be incurred and to make payments for specified purposes out of borrowed funds. Normally, subsequent appropriations are sought, or revenues earned, to repay the amounts borrowed.

(b) Unobligated Balances. Unobligated balances from unexpired accounts carried forward to the new fiscal year must be reapportioned by OMB, and reallotted by the CFO before unobligated balances can become available for obligation.

(c) **Recoveries of Prior-Year Obligations.** Canceling or downward-adjusting contract amounts may make obligation authority available. Prior-year recoveries are available for use only to the extent that amounts are reapportioned, approved for release by the Director of the Office of Budget, and reallotted.

(d) **Expired Accounts.** Expired accounts are appropriation or fund accounts in which the balances are no longer available for incurring new obligations. In certain circumstances, these accounts are available for recording, adjusting, and liquidating obligations. For further discussion of the types of expired accounts, the limitations placed on them, and the restoration of unobligated balances, see OMB Circular A-11, section 20.4. Also, see paragraph 6 below for funding controls for expired and closed time limited appropriations.

(e) **Donated Funds.** Any acceptance or use of donated funds requires statutory authority.

(2) **Reimbursable Obligational Authority** provides DOE authority to perform work or services for a Federal or non-Federal customer. Before an obligation is incurred, there must be a budgetary resource and reimbursable obligation authority provided by an allotment. The reimbursable agreement/order placed and the cash advance provides the actual budgetary resources. OMB places limits on the amount of reimbursable work that DOE can perform in a fiscal year. These limits are explained below.

(a) OMB apportions reimbursable obligational authority, which is subsequently allotted by DOE. Reimbursable obligation authority allotments reflect the amounts of reimbursable work that can be performed for non-Federal entities and for other Federal agencies. Exceeding the reimbursable obligational authority constitutes an administrative violation, as opposed to a legal violation. However, exceeding the reimbursable obligation authority may lead to a legal violation if the total allotment is exceeded. To obligate funds to perform reimbursable work, both an allotment providing reimbursable authority and a budgetary resource are necessary. Reimbursable budgetary resources arise from the following:

1. Reimbursable agreements received from other Federal Government accounts represent valid

obligations of the ordering account. DOE must adhere to the same fiscal limitations as the customer agency, as denoted on the reimbursable agreements.

2. Reimbursable agreements include orders received from the public and local and State governments. Unlike agreements received from other Federal agencies, these agreements must be accompanied by an advance.

(b) Orders received or funds advanced and accepted in excess of the reimbursement authority do not provide additional reimbursable authority. The general policies and procedures on financial management of and accounting for reimbursable work are covered in Chapter 13, "Reimbursable Work, Revenues and Other Collections."

3. WITHDRAWAL OF FUNDS. As with the distribution of funds, withdrawals are accomplished by Advice of Allotments and AFPs.

a. Withdrawals of Funds. Funds are withdrawn from allottees through a reduction in the allotment and the AFP. Detailed procedures for the withdrawal of funds are in DOE M 135.1-1A.

b. Recovery of Prior-Year Obligations. Detailed policy and guidance for determining the availability of appropriation and fund balances are covered in OMB Circular A-11, section 130. The procedures for reporting the recovery of funds from prior-year obligations are contained in Chapter 5, "Accounting for Obligations." Additional guidance is provided in DOE M 135.1-1A.

c. Deferrals and Rescissions. Funds may be withdrawn from a program due to a deferral or rescission. For a comprehensive discussion of deferrals and rescissions, see DOE M 135.1-1A.

4. EXECUTION AND CONTROL OF ALLOTMENTS AND APPROVED FUNDING PROGRAMS. Execution of allotments and AFPs is accomplished through commitments and obligations.

a. Commitment (synonymous with reservation). A commitment occurs each time a program release document is signed by an authorizing official and transmitted to be acted upon. Commitments are recorded before or at the same time that an obligation is created. The commitment and the certification of fund availability apply only to the fiscal year in which they are accomplished. If no obligation is incurred in the fiscal year of

certification, the commitment is decommitted and the certification is withdrawn on September 30th.

b. Obligation. An obligation occurs when a legal responsibility arises for which the Department must expend funds (whether or not it is recorded in the accounting system). Obligations may only be incurred during the period of obligational availability as stated in the appropriation. Detailed policy and guidance covering appropriations are in Chapter 3, "Accounting for Appropriations and Other Funds." All reported obligation amounts will be supported by documentary evidence of transactions authorized by law pursuant to 31 U.S.C. 1501(a) and as stated in GAO Title 7, Chapter 3. Additional guidance on obligations can be found in Chapter 5, "Accounting for Obligations."

5. CONTROL OVER EXECUTION. Controls over the commitments and obligations of obligational authority provided by the allotments and planned allocation in the AFPs include authorizations, certifications of funds availability, documents and procedures, and reconciliations and verifications.

a. Authorizations.

(1) Designation of individuals selected as authorizing officials by allottees and AFP recipients must be in writing. If applicable, the designation should contain information on dollar limitations of the authorization or on use limitations. The authority may not be redelegated by an authorizing official unless specifically authorized by other DOE authority.

(2) The allottee or AFP recipient must provide written notification, which includes the particulars of the authorization, to all personnel who are authorized to approve program release documents. The notification shall stress that only authorized persons will sign program release documents, verbally make commitments, or incur obligations on behalf of the activity. The notification should also include a stern warning that disciplinary action will be taken for any violations. Renotification must be made at lease annually or when authorizations and accounting classifications or senior officials change.

b. Certification of Funds Availability.

(1) Program release documents must be certified for availability of funds before they are used to incur an obligation by the servicing personnel, travel, or procurement offices.

(2) The allottee or AFP recipient may designate a certifying official(s) to certify that funds are available on program release documents.

c. Documents and Procedures.

(1) **Documents.** The procurement, travel, and personnel offices shall prescribe in their publications and directives the proper forms to be used as program release documents and obligation documents.

(2) **Procedures.** The allottee or AFP recipient, through the certifying official and in conjunction with the procurement, travel, and personnel offices, must establish standard procedures for processing program release documents and obligation documents. The procedures must be distributed to all affected authorizing officials, certifying officials, and contracting officers. The procedures must emphasize that officials/officers ensure authorization and certification of funds availability before an obligation may be incurred and prompt recording of incurred obligations in the accounting system.

d. Reconciliations and Verifications.

(1) Each field CFO/Financial Manager must ensure that accounting reconciliations occur on yearend certification and that differences are resolved. This includes reconciliations between recorded obligations and expenditures and the appropriate source documents. Valid statistical sampling techniques may be used when appropriate.

(2) By the 15th of the month following the end of the accounting period being reported, each AFP recipient shall review the monthly financial reports produced by the servicing field CFO/Financial Manager. Within 30 days, the recipient must perform whatever reconciliations are necessary to verify that the reports are complete and must immediately notify the finance and accounting office of any discrepancies.

6. FUNDS CONTROLS FOR EXPIRED AND CLOSED TIME LIMITED APPROPRIATIONS

a. Obligated balances for expired appropriations will be retained by allottees and remain available for an additional 5 years only for valid upward adjustments; that is, to liquidate obligations properly incurred during the period of obligational availability. These balances are not legally available for incurring new obligations.

b. DOE will maintain the integrity of all legal funding controls for expired and closed appropriation accounts. Legal funding controls are amounts established by appropriations, apportionments, and allotments and by statutory restrictions imposed on the use of funds, such as the Anti-Deficiency Act. Because these funding controls are derived from statute, they must remain in effect until all financial activity for expired or closed appropriation accounts is closed out.

c. To provide allottees flexibility to accommodate valid upward adjustments to previously recorded obligations (e.g., due to cost overruns, closeout audit adjustments, etc.), the obligational control levels (administrative controls) within each expired appropriation account(s) by allottee will be relaxed. Currently, an obligation that exceeds an obligational control level in an unexpired account will result in an administrative violaton (i.e., a violation of CFO administrative controls). However, if it is determined that a vendor invoice is to be paid from an expired appropriation account, but the remaining obligated balance in the associated obligational control level is less than the amount of the invoice, even though payment will cause the obligational control level to be exceeded, it will not result in a reportable administrative violation. However, if this payment exceeds the remaining obligated balances within the overall allotment, then a violation will have been incurred and must be reported in accordance with procedures contained in paragraph 8. Accordingly, allottees initiating obligational adjustments to expired accounts that will exceed an obligational control level must coordinate this activity with the Director of the Office of Internal Review to preclude initiating a formal reporting process.

7. PROHIBITED ACTIONS, PERSONAL RESPONSIBILITY, AND PENALTIES. Employees shall not violate DOE administrative control of funds policies and procedures. Discussed below are the prohibited actions, the persons to be held liable and penalties for a violation of the Anti-Deficiency Act (legal limitations), and actions that violate DOE policy (administrative limitations).

a. Prohibited Actions.

(1) Violations of the Anti-Deficiency Act (Legal Limitations).

(a) New Obligations and Expenditures or Adjustments to Obligations and Expenditures That Exceed Original Appropriations include any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund account in excess of the amount available in the original appropriation or fund

account. For revolving funds, a legal violation occurs when the balance in the revolving fund as a whole (including net accounts receivable, unfilled Federal customer orders, and advances from others) is insufficient to cover the total of all current liabilities (including accounts payable and the estimated amount of leave payments upon termination to be made to employees to be separated during the current month). For self-financed revolving funds, a legal violation occurs when obligations incurred in any fiscal year exceed the amount allotted for that year.

(b) **Contract or Obligation in Advance of an Appropriation.** An officer or employee shall not involve the Government in a contract or other obligation to pay money for any purpose in advance of appropriations made for such purpose unless the contract or obligation is authorized by law. If authorized by law, but not financed by an appropriation, the budget authority to cover such transactions is known as contract authority. If the contract authority is provided in anticipation of receipts, obligations incurred against the contract authority should not be liquidated until the receipts are collected and credited to the account or an appropriation to liquidate has been enacted.

(c) **New Obligations or Any Expenditures in Closed Accounts** include any case in which an officer or employee has made or authorized an expenditure from or created or authorized an obligation against an account that has been closed pursuant to 31 U.S.C. 1552, 1555, or 1557.

(d) **Acceptance of Voluntary Service.** An officer or employee shall not accept voluntary service for the United States or employ personal service exceeding that authorized by law, except for an emergency involving the preservation of human life or property.

(e) **New Obligations and Expenditures or Adjustments to Obligations and Expenditures That Exceed the Amount Apportioned or Reapportioned** include any case in which an officer or employee has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund account in excess of the amount apportioned or reapportioned to the original appropriation or fund account. In no case may more than 1 percent of unexpired funds be used to pay for valid

obligational adjustments liquidating obligations for closed accounts. This authority also may not be used to exceed to the original appropriation.

(f) **Overobligation or Overexpenditure of an Allotment or Suballotment.** An officer or employee shall not authorize or create an obligation or make an expenditure exceeding the amount permitted by an allotment or related suballotment.

(g) **Overobligation or Overexpenditure of a Credit Limitation.** An officer or employee shall not authorize or create an obligation or make an expenditure exceeding a credit limitation (apportionment for credit programs) contained in an appropriation act restricting the amount that can be obligated or commitment for a credit program.

(h) **Overobligation or Overexpenditure of Other Administrative Subdivisions of Funds.** An officer or employee shall not overaobligate other administrative subdivisions of funds, such as AFPs. When such an action causes an overobligation or overexpenditure of an allotment, apportionment, or appropriation, a legal violation has occurred unless the apportionment or the DOE fund control system specifies otherwise.

(i) **Misuse of Funds.** An officer or employee shall not obligate or expend funds for a purpose other than that for which the funds were appropriated. Such an action is a violation of 31 U.S.C. 1301 and could potentially culminate in an anti-deficiency violation.

(j) **Failure or Delay in Recording an Obligation.** An officer or employee shall not fail to or delay in recording an obligation in anticipation of additional funding when such action would cause an overobligation or overexpenditure of an allotment, apportionment, or appropriation.

(2) **DOE Administrative Violations.** The following actions do not necessarily violate the Anti-Deficiency Act, but they are violations of DOE policy for controlling appropriations and funds:

(a) **Exceeding an Administrative Limitation.** An administrative limitation is an upper limit placed on the amount of obligations or expenditures that may be incurred. Exceeding an administrative limitation is subject to

Departmental, rather than statutory, rules and penalties. For example, administrative limitations can be imposed on DOE by Congress, through congressional conference reports; by OMB, through any executive branch directive containing an administrative limitation attached to an apportionment; or by internal DOE management (e.g., through ceilings on travel). Administrative limitations specified in AFP may not be exceeded. Although administrative limitations should not be exceeded; they differ from legal limitations because violations of administrative limitations are not necessarily violations of law. Violations of administrative limitations are violations of DOE policy and must be reported immediately to the CFO. Exceeding an administrative limitation may, however, result in a legal violation at the Department level. Any person causing an administrative limitation to be exceeded shall then be responsible for the resultant legal violation and shall be subject to the penalties for such violations.

(b) **Exceeding Supplemental Approved Funding Programs.** DOE officers and employees shall adhere to supplemental AFPs in program execution. Exceeding limitations specified in supplemental AFPs does not constitute a legal violation if the consolidated AFP is not exceeded at the allotee level.

(c) **Exceeding Budgetary Resources for a Reimbursable Agreement.** Incurring obligations or expenditures for a reimbursable order in excess of the budgetary resources for that order is an administrative violation.

(d) **Exceptions.** Essential activities, such as the preservation of human life or property, may be obligated in excess of limitations for specified purposes. (See DOE O 137.1A, Plan for Operating in the Event of a Lapse in Appropriations.)

b. **Personal Responsibility for Violations.** The person who occupied the position at the time a violation occurred shall be charged with the violation, rather than the person who occupies the position at the time the violation is discovered.

(1) If the person who caused the obligation to arise was not an authorizing official, the person to be held responsible will be one of the following:

(a) The unauthorized person causing the obligation to arise;

(b) The program manager;

(c) The certifying official, unless bypassed, who was supposed to verify that program release documents had been signed only by authorized program managers;

(d) The contracting, personnel, or travel official, unless bypassed, who was supposed to verify that funds had been certified as available and that program release documents had been signed only by authorizing official; or

(e) The allotee.

(2) If the obligation was based on an erroneous allotment or AFP, but was within the limitations stated on the allotment or AFP, the Director of the Office of Budget shall be held responsible.

(3) If the contracting, personnel, or travel official processed an obligation document without first ensuring that sufficient funds had been certified as available, that official shall be held responsible.

(4) If obligations exceeded the amount appropriated, apportioned, or allotted as a result of obligation adjustments to correct a violation resulting from funds being used for purposes other than those intended by Congress, the program manager shall be held responsible.

(5) If an expenditure was made or authorized or an obligation was created or authorized under any appropriation or fund, including any revolving fund, in excess of the amount available in the appropriation or fund, the person who made or authorized the expenditure or created or authorized the obligation shall be held responsible for the violation.

(6) If an obligation was authorized or created or an expenditure was made in excess of an apportionment or reapportionment, the person who authorized or created the obligation or made the expenditure shall be held responsible for the violation.

(7) If the Government was involved in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for this purpose, unless the contract or

obligation was authorized by law, the person authorizing the obligation or payment under the contract shall be held responsible for the violation.

(8) If voluntary service was accepted for the United States or if personal services were employed in excess of those authorized by law, except in emergencies involving the preservation of human life or property, the person who accepted the voluntary service or employed the personal services shall be held responsible for the violation.

(9) If an obligation or expenditure was authorized or created in excess of the amount permitted by an allotment, the allottee and the person authorizing the obligation or expenditure shall be held responsible for the violation.

c. Penalties.

(1) Severe penalties are provided for violating the Anti-Deficiency Act and DOE fund control limitations. In addition to any penalty or liability under law, a DOE officer or employee who authorizes or makes expenditures exceeding available funds is subject to administrative discipline, including suspension from duty without pay or dismissal. If convicted of knowingly and willfully violating legal limitations, the officer or employee is subject to fines or imprisonment, or both.

(a) Anti-Deficiency Act Violations.

1. *Criminal Penalty*. An officer or employee of the United States Government who knowingly or willfully authorizes or makes expenditures in excess of available funds shall be fined not more than $5,000 or imprisoned for not more than 2 years, or both.

2. *Administrative Penalties*. The following disciplinary measures may be imposed for Anti-Deficiency Act violations in addition to or exclusive of any criminal penalty:

a. Counseling the violator.

b. Requiring additional training for the violator.

c. Filing a letter of reprimand in the personnel file of the violator for 1 year.

d. Preparing an unsatisfactory performance appraisal.

e. Suspending the violator from duty for up to 2 work weeks without pay.

f. Reassigning or terminating the violator.

g. Taking any other action considered necessary by the Under Secretary or the Secretary.

(b) **Administrative Limitation Violations.** Any of the permissible disciplinary actions listed in paragraph 7c (1) (a) *2* may be imposed for violations of DOE administration limitations and funds control requirements that are not subject to Anti-Deficiency Act penalties.

(2) The following offices are responsible for determining whether a violation has occurred and the appropriate disciplinary action to be taken:

(a) The CFO shall review, in coordination with the Office of General Counsel (GC), all reports of violations or alleged violations of legal or administrative limitations and advise the Secretary or the Under Secretary as to whether a report shall be made to Congress and, through OMB, to the President; recommend disciplinary actions when appropriate; and promptly notify the DOE component of any disciplinary action taken.

(b) The Office of GC shall review any report of an apparent violation submitted by the CFO; issue a determination within 30 days as to whether the apparent violation is reportable to the President or Congress, or both; and either concur or decline to concur with the CFO's recommendation on disciplinary actions.

(c) The Deputy Secretary, upon notification that a violation(s) of fund control regulations has occurred, shall approve or disapprove disciplinary action recommendation by the CFO and ensure that appropriate disciplinary action is taken and

also provide concurrence of nonconcurrence on the report of any disciplinary action(s) related to funding violations within 10 workdays of notification by the CFO, in order to close the violation file.

(d) In determining what, if any, disciplinary actions may be appropriate, the Under Secretary may consider any aggravating or mitigating circumstances surrounding the violation. The severity of the disciplinary action shall depend on consideration of all the facts and circumstances that caused the violation, including the following:

1. The seriousness of the violation;

2. The failure to report or late reporting of the violation, or a previous pattern of such violations;

3. The character of the violation (that is, whether the violation was made knowingly and intentionally, occurred through gross or simple negligence, or was justified to protect life or property under emergency conditions);

4. The number of times the same violation or similar violations have occurred and the length of time between violations; and

5. Past disciplinary actions that have proved ineffective.

8. REPORTING OF VIOLATIONS WITHIN THE DEPARTMENT

a. Reporting Requirements.

(1) Any person who knows about a possible violation is responsible for forwarding a report on it to the cognizant Field CFO/Financial Manager. This report shall form the basis for allottee reports to the CFO on violations or apparent violations of legal or administrative control limitations

(2) The Field CFO/Financial Manager shall prepare formal reports in memorandum form in the format prescribed in paragraph 8b (1) and make the distribution as follows:

(a) CFO (original);

(b) Allottee (one copy);

(c) Office of Internal Review (one copy); and

(d) Any other person found responsible in whole or in part for the violation (one copy).

(3) The allottee shall sign the report and forward it to the CFO within 45 days after the end of the reporting cycle during which the violation occurred.

(4) Any potential violation detected by a reviewing, auditing, or examining authority, except for the Government Accountability Office (GAO), shall not be reported as a violation until either the field CFO/Financial Manager has concurred that a violation exists or the reviewing, auditing, or examining authority has received concurrence from the CFO. As soon as a potential violation is detected, it shall be reported by telephone to the Director of the Office of Internal Review. For reporting requirements related to GAO findings on potential violations, see paragraph 9d (1).

b. Information to Be Reported.

(1) Actual or Apparent Legal Violations. The following information shall be included in the report, in the sequence listed:

(a) Date of the alleged violation;

(b) Name and location of the office where the alleged violation occurred;

(c) Name and title of the allotment holder;

(d) Name and location of the certifying official responsible for the administrative control of funds;

(e) Accounting classification of the funds involved (that is, appropriation, fund, type, program codes);

(f) Amount of fund authorization or limitation believed to have been exceeded;

(g) Amount and nature (for example, overobligation, overexpenditure, or exceeding other legal limitations) of the alleged violation;

(h) Name, grade, and position of the person responsible for the alleged violation (if the person is no longer employed by the office that is reporting, the report shall provide the date of departure and current address);

(i) Statement of what the person did or did not do that resulted in the alleged violation;

(j) Statement about whether the alleged violation was due to a willful act, careless disregard of instructions, emergency circumstances, or an error;

(k) Detailed statement of the cause of and circumstances surrounding the alleged violation (including all pertinent dates and copies of supporting documents, as appropriate);

(l) Description of specific action taken to correct the alleged violation and of new procedures or safeguards established to prevent its reoccurrence. (The report shall describe the specific action in sufficient detail to allow evaluation of its adequacy. If changes in directives, systems, or procedures are required that cannot be made except by Headquarters, submit proposals by separate correspondence to proper authority and refer to these proposals in the report of the alleged violation);

(m) A signed statement by the person determined to be responsible for the alleged violation. (Request assistance from the GC to ensure that the person's rights and the integrity of the investigation are preserved. The statement shall include detailed facts about the person accused of causing the alleged violation. If the responsible person either declines to make a statement or cannot be reached to obtain a statement, the report shall explain this clearly); and

(n) If another agency is involve in the allege violation, the report shall include a statement about the steps taken to coordinate the report with the other agency.

(2) **Actual or Apparent Administrative Limitation Violations.** For administrative limitation violations, the information in paragraph 8b (1) (a) through (e), along with the following information, shall be reported in the sequence listed below:

(a) Amount of the administrative limitation alleged to have been exceeded.

(b) Amount and nature (for example, overobligation, overexpenditure, exceeding order level budget authority or advances for reimbursable work, or exceeding other administrative limitations) of the alleged violation.

(c) For an order-level reimbursable work violation, the customer's name and the reimbursable order number.

(d) Description of specific action taken to correct the alleged violation, as well as new procedures or safeguards established to prevent its recurrence. (The report shall describe the specific action in sufficient detail to allow evaluation of its adequacy.)

c. Actions Required After Violations Are Reported.

(1) The responsibility of allottees concerning a reportable violation does not end when they report a violation. Allottees should take immediate action to lessen the impact of the violation. Such action may include the following measures:

(a) Canceling sufficient noncritical obligations to eliminate the deficit.

(b) Initiating contract modifications to reduce or terminate sufficient items not representing critical requirements.

(c) Requesting additional funding through the Office of Budget.

(2) Subsequent actions taken to correct the cause of a violation do not eliminate that violation; it still must be reported.

d. Apparent Violations Caused by Accounting Errors. If (after reviewing the circumstances surrounding the apparent violation of a legal limitation or an administrative control level limitation and applying facts to applicable laws and directives) the finance and accounting office concludes that the apparent violation was the result of an accounting error, the field CFO/Financial Manager shall prepare a memorandum explaining the circumstances, the violation, and the corrective actions taken or planned. The memorandum shall also include the specific contract, purchase order, travel order, or other type of procurement instrument that

was obligated or paid incorrectly; the account (fund type, AFP, standard general ledger code, program code, and construction project number or all equipment not related to construction, when applicable) to which the obligation or payment was charged by the correction entry; the date and document references of both the erroneous and the correction entries; and the name and title of the approving official for the correction entry.

e. Apparent Violations Caused by Inappropriate Withdrawal of Funds. An excessive or invalid reduction in an allotment or AFP (that is, an erroneous withdrawal of funds in excess of the allotted or unobligated balance) is not a violation if either of the following conditions is met:

(1) Additional obligations have not been authorized or incurred against the funds.

(2) The withdrawn funds have been immediately restored or made available, through deobligation, to the account from which they were withdrawn in sufficient amount to cover obligations previously authorized or incurred. Headquarters program offices are responsible for obtaining certification of funding availability with allottees prior to withdrawing funding through allotment and AFP process.

9. REPORTING OF VIOLATIONS TO THE PRESIDENT AND CONGRESS

a. Reports to the President. The Secretary shall furnish to the President, through the Director of OMB, and to Congress information on any actions prohibited by the Anti-Deficiency Act as presented in paragraph 8. A report to the President on an Anti-Deficiency Act violation shall be in the form of a letter (original and three copies) and shall include the information as presented in OMB Circular A-11, section 145, Requirements for Reporting Anti-Deficiency Act Violations.

b. Reports to Congress. The report to Congress shall be in the form of identical reports to the Speaker of the House of Representatives and the President Pro Tempore of the Senate. If this report is identical to the one to the President, the report to the President shall include a statement to that effect. If it is not identical, one copy of the report to Congress shall be submitted to OMB with the report to the President. The information required for reports to Congress is the same as that for reports to the President.

c. Reports to the GAO. The report to the GAO shall be in the form of a letter to the Comptroller General and shall be identical to the one to the Congress.

d. Additional Reporting Requirements.

(1) Reports to the President and to Congress shall also be made on any violation not previously reported by the Department that is included in GAO findings in connection with an audit or an investigation. In such a case, the reports to the President and to Congress shall explain why the violation was not discovered and previously reported by DOE. If DOE does not agree that a violation has occurred, the reports to the President and Congress shall explain DOE's position.

(2) When OMB determines that a violation of the Anti-Deficiency Act may have occurred, it may request that DOE undertake or conduct an investigation or audit. In such cases, a report describing the results of the investigation or audit shall be submitted to OMB through the Secretary. If the report shows that the Anti-Deficiency Act has not been violated, the Secretary shall so inform OMB and forward to OMB a copy of the report. If the report shows that the Anti-Deficiency Act has been violated, the Secretary shall report to the President and to Congress as soon as possible. If the Secretary does not agree that a violation has occurred, the reports to the President and to Congress shall explain DOE's position.

e. Timing of Reports. The required reports, signed by the Secretary, must be made to the President and to Congress as soon as possible as a violation is discovered.

CHAPTER 3

ACCOUNTING FOR APPROPRIATIONS AND OTHER FUNDS

1. INTRODUCTION.

a. Background. An appropriation is an act of Congress, signed into law by the President that provides budget authority and permits a Federal agency to incur obligations or to spend public funds. Appropriations to liquidate contract authority, appropriations to liquidate outstanding debt, and appropriations for refunds or receipts do not constitute budget authority because they do not provide authority to incur additional obligations. The Department of the Treasury (Treasury) establishes a separate account for each appropriation or fund following enactment of an appropriations act by Congress. DOE M 135.1-1A, "Budget Execution Funds Distribution and Control Manual," and Chapter 2, "Administrative Control of Funds," provides additional guidance.

b. Applicability. This chapter is applicable to all Departmental elements, including the National Nuclear Security Administration. This chapter does not apply to contractors.

2. OVERVIEW OF THE APPROPRIATION WARRANT, APPORTIONMENT, APPROVED FUNDING PROGRAM, AND ALLOTMENT PROCESS.

a. Appropriation Warrant. After the passage of a DOE appropriation bill by Congress, Treasury draws and forwards to DOE Financial Management Service's (FMS) Form 6200, "Appropriation Warrant." The warrant is the official document issued, pursuant to law, by the Secretary of the Treasury that establishes the amount of money authorized to be withdrawn from Treasury for payment of obligations. The procedures for processing warrants are listed below:

(1) The warrant is received in the Energy Finance and Accounting Service Center (EFASC), where it is compared with the apportionment received from the Office of Management and Budget (OMB) to verify that the documents are in agreement;

(2) EFASC records the warrant in the Departmental Control Accounts;

(3) When DOE is required to operate under the provisions of a continuing resolution, EFASC requests a warrant from Treasury for an amount consistent with the provisions of the continuing resolution. When appropriation legislation is subsequently passed, Treasury prepares a warrant to cover the difference between the continuing-resolution

warrant and the full amount of budget authority provided by the appropriation. DOE M 135.1-1A and Volume I, Part 2, Chapter 2000, of the Treasury Financial Manual (I TFM 2-2000) provide further discussion of warrants.

b. **Apportionment.** The OMB apportionment process makes obligational authority available to DOE for specified time periods, activities, projects, or objects, or combinations thereof.

(1) The Office of Budget requests the apportionment (SF 132, "Apportionment and Reapportionment Schedule") from OMB for budget authority, unobligated balances, reimbursements and other income, recoveries of prior-year obligations, appropriation refunds, and restorations and writeoffs.

(2) The Office of Budget records the approved apportionment in the Departmental Control Accounts. Further discussion of apportionments is provided in DOE M 135.1-1A.

c. **Allotment Process and Approved Funding Program.** The allotment process and approved funding program (AFP) provides the DOE corporate financial systems with the internal distribution of all obligational authority made available to the Department for the fiscal year. The allotment process and AFP are used to establish and maintain specific legal and/or administrative controls, ceilings, and limitations imposed by Congress, OMB, or DOE on the use of the funds.

(1) The allotment document, HQ F 2260.2, "Advice of Allotment", as issued by the Chief Financial Officer (CFO) and the Director of the Office of Budget, confers on the allottee the authority to incur obligations and make expenditures. The allotment also conveys any legal limitations imposed on the use of the funds.

(2) The Office of Budget enters the allotments in the Funds Distribution System for automated interface with STARS. DOE M 135.1-1A provides further discussion of AFPs and allotments.

(3) The AFP reflects the current annual plan to allocate obligational authority to various allottees. AFPs may be adjusted monthly or as need arises, within the obligation control levels established by appropriation acts and accompanying reports.

3. **SYMBOLS AND TYPES OF ACCOUNTS.** All Government transactions are identified with applicable fund groups, which are classified through the assignment of account symbols by Treasury. These account symbols are available as a supplement to the Treasury Financial Manual (TFM), titled Federal Account Symbols and Titles

(FAST Book). Within Treasury's central accounting system, receipt and expenditure accounts are identified as follows: Clearing, General Fund Receipt, Consolidated Working Fund, General Fund Expenditure, Management Fund, Revolving Fund, Special Fund Expenditure, Special Fund Receipt, Transfer Appropriation, Trust Fund Expenditure, Trust Fund Receipt, and Trust Revolving. A description of these accounts is provided in I TFM 2-1500.

4. TYPES OF DOE ACCOUNTS.

a. General Fund Accounts.

(1) General funds are used to carry out the general purposes of the Department rather than being restricted by law to a specific program. General fund accounts consist of all collections not "earmarked" (see below) by law to finance other funds. General fund accounts are classified in the 0000-3999 major class series of account symbols.

(2) **General Fund Expenditure Accounts.** The majority of DOE's appropriations are general fund expenditure accounts that are established to record appropriated monies for the general support of DOE.

(a) **Accounting Treatment.**

1. All receipts for credit to general fund expenditure accounts shall be accounted for under the appropriate receipt account symbol and deposited according to collection procedures described in Chapter 6, "Cash."

2. Upon confirmation that funds are available for obligation and expenditure, the Office of Budget shall issue an AFP document and an allotment to the cognizant recipient.

3. The accounting entries for recording the obligations and expenditures of these available funds are the same as those for other appropriated funds. Chapter 13, "Reimbursable Work, Revenues and Other Collections," establishes policies for the acceptance and deposit of funds provided by non-Federal entities as partner shares of co-sponsored projects.

(3) **General Fund Receipt Accounts.** General fund receipt accounts are credited with all receipts not "earmarked" by law for a specific purpose.

(a) Accounting Treatment.

1. All receipts for credit to general fund receipt accounts shall be accounted for under the appropriate receipt account symbol and deposited according to collection procedures described in Chapter 6, "Cash."

2. General fund receipt accounts do not receive budgetary authority, therefore, these accounts do not have obligations or expenditures.

3. Any cash remaining in the general fund receipt accounts must be returned to Treasury at year-end.

b. Special Fund and Trust Fund Accounts.

(1) **Special Fund and Trust Fund Expenditure Accounts** are established to record amounts appropriated from special fund or trust fund receipts to be expended for special programs according to specific provisions of the law and in carrying out specific purposes or programs according to the terms of a trust agreement or statute.

(2) **Special Fund Receipt Accounts** are used by the Department for crediting receipts from specific sources that are "earmarked" by law for specific purposes, which do not represent traditional items of Congressional interest. Earmarked funds are financed by specifically identified revenues that are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Department's general revenues. (See SFFAS 27, "Identifying and Reporting Earmarked Funds.") Depending on statutory requirements, receipts may or may not be immediately available for expenditure. Special fund accounts are classified in the 5000 major class series of account symbols. Examples of DOE special fund accounts are 89X5105, "Payments to States under Federal Power Act;" 89X5180, "Alternative Fuels Production;" and 89X5227, "Nuclear Waste Disposal Fund."

(3) **Trust Fund Receipt Accounts** are credited with receipts generated by the terms of trust agreements or statutes. As with special fund receipt accounts, receipts may or may not be immediately available for expenditure. Trust fund accounts are classified in the 8000 major class series of account symbols, such as 89X8575, "Advances for Co-Sponsored Projects."

(4) Accounting Treatment.

(a) All receipts for credit to special and trust funds shall be accounted for under the appropriate receipt account symbol and deposited according to collection procedures described in Chapter 6, "Cash."

(b) Upon confirmation that funds are available for obligation and expenditure, the Office of Budget shall issue an AFP document and an allotment to the cognizant recipient.

(c) The accounting entries for recording the obligations and expenditures of these available funds are the same as those for other appropriated funds. Chapter 13, "Reimbursable Work, Revenues and Other Collections," establishes policies for the acceptance and deposit of funds provided by non-Federal entities as partner shares of co-sponsored projects.

c. Revolving Fund Accounts.

(1) Revolving funds are authorized by Congress to provide financing for continuing cycles of operations, and receipts derived from such operations. Revolving funds may be classified into two broad categories: those established to serve the needs of Government agencies and those established primarily to serve the needs of the public. Revolving fund accounts are classified in the 4000 major class series of account symbols, such as 89X4045, "Bonneville Power Administration;" and 89X4452, "Colorado River Basins Power Marketing Fund, WAPA."

(2) Several principal activities of DOE – the Power Marketing Administration(s) activities, the Isotope Production and Distribution Program, and IntraGovernmental Funds, Working Capital Fund – have revolving funds that serve the needs of the public through the sale of products to customers and the generation of revenues. Unlike the Isotope Program, power marketing activity funds consist of all receipts, collections, and recoveries from all sources, including trust funds, sales of bonds, and Congressional appropriations. Additional accounting procedures for these funds are maintained at the local level.

(3) Accounting Treatment.

(a) All receipts for credit to revolving fund accounts shall be accounted for under the appropriate receipt account symbol and

deposited according to collection procedures described in Chapter 6, "Cash."

(b) Upon confirmation that funds are available for obligation and expenditure, the Office of Budget shall issue an AFP document and an allotment to the cognizant recipient.

(c) The accounting entries for recording the obligations and expenditures of these available funds are the same as those for other appropriated funds. Chapter 13, "Reimbursable Work, Revenues and Other Collections," establishes policies for the acceptance and deposit of funds provided by non-Federal entities as partner shares of co-sponsored projects.

c. Deposit Fund (Liability) Accounts. Deposit fund (liability) accounts are for monies that do not belong to the Department. This includes monies held temporarily by the Department until ownership is determined. Deposit funds are classified in the 6000 major class series. Chapter 13, paragraph 9, contains additional guidance on deposit funds.

(1) Types of Deposit Funds. The Department's deposit fund liability accounts include the following:

(a) Savings bonds (89X6050) or State income taxes (89X6275) relating to payroll deductions;

(b) Fiduciary accounts used to temporarily record receipts from outside sources wherein DOE is acting solely as a banker, fiscal agent, or custodian (DOE examples include Accounts 89X6424, "Advances for Cosponsored Projects;" 89X6425, "Payments by Alleged Violators of DOE Regulations;" and 89X6427, "Low-Level Radioactive Waste").

(2) Disposition. Once the disposition of a receipt is determined, record it in the applicable account or miscellaneous receipts or return it to the payee, as appropriate.

(3) Review. Deposit funds shall be reviewed at least quarterly to ensure they are promptly transferred as credits to the applicable accounts or refunded, as appropriate.

(4) Accounting Treatment.

(a) All receipts for credit to deposit fund accounts shall be accounted for under the appropriate receipt account symbol and deposited according to collection procedures described in Chapter 6, "Cash."

(b) Deposit fund accounts do not receive budgetary authority, therefore, do not have obligations or expenditures.

d. **Clearing Accounts.** Clearing accounts are used to temporarily account for transactions that are known to belong to the Department, but the transaction can not be matched to a specific receipt or expenditure account. Clearing accounts are included in the Federal budget.

(1) Clearing accounts are classified in the 3000 major account series and are used to temporarily credit unclassified transactions from the public and other Federal agencies. Unidentified remittances from the public should be credited to 89F3875, "Budget Clearing Account (Suspense)," and from another Federal agency to 89F3885, "Undistributed Intergovernmental Payments."

(2) **Disposition.** Once the disposition of a receipt is determined, record it in the applicable account, as appropriate.

(3) **Review.** Clearing account funds shall be reviewed at least quarterly to ensure they are promptly transferred to the applicable accounts, as appropriate.

(4) **Accounting Treatment.**

(a) All receipts for credit to clearing accounts shall be accounted for under the appropriate receipt account symbol and deposited according to collection procedures described in Chapter 6, "Cash."

(b) Clearing accounts do not receive budgetary authority, therefore, they do not have obligations or expenditures.

5. **TRANSACTIONS BETWEEN APPROPRIATIONS AND BETWEEN FUND ACCOUNTS.** Transactions between appropriations and between fund accounts are accomplished on either a nonexpenditure or an expenditure basis.

a. **Nonexpenditure Transactions:**

(1) Are limited to transactions in which both the withdrawal and the credit occur in the same group of accounts. The transactions are not recorded or reported as obligations, expenditures, or reimbursements. They are documented on SF-1151, "Nonexpenditure Transfer Authorization," and processed directly to Treasury without being reported on SF-224, "Statement of Transactions."

(2) Include Transfer Appropriations where a part or all of an appropriation or fund is transferred between agencies. The receiving agency will establish the amount transferred in a transfer appropriation account, and will report all transactions on an SF-133, "Report on Budget Execution and Budgetary Resources." No transfer appropriation shall be processed without the approval of the CFO. Detailed guidance for nonexpenditure transactions an be found in I TFM 2-2000 and DOE M 135.1-1A.

b. Expenditure Transactions. Expenditure transactions are limited to transactions between two or more different appropriation, fund, or receipt accounts. Both the withdrawal from one account and the credit to another account should be reported to and recorded by Treasury. Detailed guidance for expenditure transactions is in I TFM 2-2500.

6. CONTROLS ON AVAILABILITY OF APPROPRIATION ACCOUNTS. Public Law 101-510 (31 U.S.C. 1551-1557), the National Defense Authorization Act for Fiscal Year 1991, and OMB Circular A-11 prescribe rules for determining the availability of appropriation and fund balances and establish procedures for closing appropriation and fund accounts. Specifically, appropriation accounts available for obligation for a definite period must be closed on September 30th of the 5th fiscal year after the account's availability ends. Any remaining balances in the account must be canceled, and will be unavailable for obligation for any purpose. However, during the 5-year period, expired appropriations can be used to adjust and liquidate obligations that were incurred before expiration of the appropriation but not recorded or reported, or that were recorded and reported in amounts less than ultimately determined to be payable.

CHAPTER 4
ACCOUNTING SYSTEMS AND ORGANIZATION

1. INTRODUCTION AND PURPOSE. This chapter describes the Departmental finance and accounting organizational structure and the primary accounting system.

a. Applicability. This chapter applies to all Departmental elements to include contractors as listed under item 2 of this chapter. The Power Marketing Administrations (PMAs) are subject to all financial policies and procedures of the Department of Energy (DOE) unless these policies and procedures are superseded by the Federal Columbia River Transmission System Act, the Government Corporation Control Act, or other statutory authority. When in conflict with the provisions of this chapter, PMAs shall observe the policies and meet the reporting requirements of the Federal Energy Regulatory Commission (FERC) and other industry standards.

b. Policies. Departmental policies regarding accounting systems and organization are as follows:

(1) To accurately record on a timely basis financial information consistent with the Statement of Federal Financial Accounting Standards (SFFAS) and, in the absence of SFFAS, the Government Accountability Office (GAO) Policy and Procedures Manual and generally accepted accounting principles;

(2) To maintain a reliable, complete, and verifiable accounting system on an accrual accounting basis;

(3) To maintain a single integrated financial management system, which contains adequate internal controls that serves program management, budgetary, and accounting needs;

(4) To support reporting to the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), Office of Personnel Management (OPM), General Services Administration (GSA), and other Agencies as required;

(5) To support internal reporting to DOE management;

(6) To ensure that obligations and payments do not exceed funds appropriated by Congress;

(7) To ensure that integrated contractors' customary accounting practices conform with generally accepted accounting principles; contain sufficient details to account for all DOE funds, assets, liabilities, revenues/reimbursements and costs; produce accurate results; and provide the necessary DOE financial reports in conjunction with provisions of the DOE Financial Management Handbook; and

(8) To ensure that contractors comply with the standards of the Cost Accounting Standards Board when such standards are required to be followed under the terms of the contract.

2. ACCOUNTING STRUCTURE. Under the Department's accounting structure, the Office of the Chief Financial Officer (CFO) directs, manages, and provides policy guidance and oversight of DOE financial management personnel, activities, and operations. The Energy Finance Accounting Service Center (EFASC) provides various centralized accounting functions for the Department as provided in 2.b below. The Oak Ridge Financial Service Center (ORFSC) provides centralized disbursement functions for vendor and certain miscellaneous payments; and the National Nuclear Security Administration (NNSA) Office of Field Financial Management (OFFM) provides centralized nuclear material accounting. Individual field elements provide their own funds control at the allottee level and have the option to provide their own cost accumulation functions or to obtain these services from EFASC. Integrated contractors provide certain financial deliverables directly to DOE HQ such as their Standard Accounting and Reporting System File. However, other accounting/financial information or reports, such as their Treasury Report on Receivables and Debt Collection Activities are sent to the Field CFO before submission to DOE HQ. Integrated contractors maintain separate sets of accounts for recording and reporting transactions under their contracts in accordance with DOE accounting practices and procedures. The accounts are integrated with those of DOE. The PMAs report summary-level accounting information to the Office of Financial Control and Reporting (OFC&R) through their Standard General Ledger (SGL) crosswalk component.

a. Departmental Accounting. The CFO is responsible for formulating, executing, analyzing, and preparing the Department's budget; developing Department-wide accounting and financial policies and procedures; and performing Department-wide accounting and reporting.

b. Service Centers. EFASC, ORFSC, and the NNSA Office of Field Financial Management (OFFM) have been designated to provide certain accounting functions for their own elements as well as for other field elements. These functions are as follows:

EFASC	**ORFSC**	**NNSA Office of Field Financial Management (OFFM)**
Processing and accounting permanent change of station	Vendor and Miscellaneous Payments	Nuclear Material Accounting
Processing and accounting accounts receivable activities	Reimbursing travelers for temporary duty and local travel	
Payroll liaison and accounting	Treasury Automated Standard Application for Payment (ASAP) System processing	

EFASC	ORFSC	NNSA Office of Field Financial Management (OFFM)
Intergovernmental and foreign disbursements	Prompt Payment Reporting	
Financial reporting to Treasury		
Perform or Oversee month-end & year-end processes and closings		
Cost functions		

c. Field Element Financial Services. Although the Service Centers provide accounting and disbursement support, each field element independently monitors and controls the activities that affect their accounts. In addition, each field element performs all functions and responsibilities not provided by the Service Centers. Field elements:

(1) Establish and allocate reimbursable orders[1];

(2) Create and monitor commitments and obligations and ensure proper allocation of obligational activity;

(3) Ensure that integrated contractors maintain detailed records of transactions to fully support Standard Accounting and Reporting System (STARS) summary balances;

(4) Support financial reports sent directly to external agencies with detailed transactions and summary balances in STARS;

(5) Ensure that the accounting practices and procedures of integrated contractors are acceptable to DOE. When the terms of the contract require compliance with the standards of the Cost Accounting Standards Board, follow the provisions of 48 CFR 30, chapter 1, for management and operating contracts; and

(6) Ensure that integrated contractors submit monthly and yearly STARS financial data which conform to established time-frames, system edits and tie points, as well other requirements specified by DOE Headquarters (HQ);

d. Power Marketing Administrations. The PMA financial offices are responsible for planning, budgeting, funds control, accounting, and reporting.

(1) Revenues. Most revenues from PMA sales of power are deposited in Treasury as proprietary receipts, and annual appropriations are used to operate these

[1] For many offices, Field elements accept reimbursable orders (documents) for their sites-Budget/Accounting Offices certify, establish, and allocate funds by reimbursable order in STARS.

administrations. The revenues from portions of the Western Area Power Administration are deposited in revolving funds.

(2) Accounting. Summarized accounting information is reported to the OFCR for subsequent reporting to Central Agencies.

e. Federal Energy Regulatory Commission. FERC is an independent regulatory agency operating under DOE but not subject to Departmental policies and procedures. FERC accounting data is reported to the OFCR for subsequent reporting to Central Agencies.

f. Integrated Contractors.

(1) Operational Relationship with DOE. The integrated contractors develop financial and accounting data supporting their operation, maintenance, and general technical support of DOE-owned or DOE-controlled research, development, special production, or testing establishments. The operational relationship has the following characteristics:

(a) The contractor has little financial risk;

(b) The contractor ensures the proper use of public funds;

(c) The contractor must maintain a separate set of accounts and records for recording and reporting all business transactions under the DOE Contract; and

(d) The contractor maintains accounts integrated with DOE reciprocal accounts that conform to generally accepted accounting principles, produce accurate results, and provide the necessary DOE Financial reports.

g. Non-Integrated Site Facility Management Contractors & Non-Facility Management Contractors

(1) Operational Relationship to DOE. Non-Integrated Site Facility Management Contractors & Non-Facility Management Contractors shall follow the applicable accounting standards and procedures as provided in their contracts. Some of these accounting and processes may entail: (1) maintaining payment cleared funding/Automated Standard Application for Payments (ASAP) 1031 accounts, (2) maintaining subsidiary accounts; (3) producing accurate results; and (4) providing key financial reports to DOE.

3. SINGLE INTEGRATED FINANCIAL MANAGEMENT SYSTEM.

a. Functions. The single integrated financial management system is an automated system that serves the entire DOE, including the PMAs. The system produces external reports that consolidate data from all Departmental elements.

b. Integration – iManage Progam. The iManage Program is the Department's solution for managing enterprise-wide systems and data. iManage is responsible for consolidating and streamlining Department-wide systems and business processes in order to integrate financial, budgetary, procurement, personnel, program and performance information. iManage is supported at the core by a central data warehouse that links common data elements from each of the Department's business systems and supports both external and internal reporting.

c. Components. The components of the single integrated financial management system are the (STARS), Corporate Human Resource Information System (CHRIS), the Vendor Inquiry Payment Electronic Reporting System (VIPERS) along with the Vendor Invoice Approval System (VIAS), the Strategic Integrated Procurement Enterprise System (STRIPES), Funds Distribution System (FDS), eTravel (GovTrip), and the iManage Data Warehouse (IDW).

(1) STARS: STARS provides DOE with a comprehensive and responsive financial management system that is the foundation for linking budget formulation, budget execution, financial accounting, financial reporting, cost accounting, and performance measurement. The system processes Departmental accounting information, including general ledger, purchasing, accounts payable, accounts receivable, and fixed assets. The system also includes budget execution functionality associated with recording appropriations, apportionments, allotments, allocations, and provides funds control for commitments, obligations, costs, and payments. STARS is used by all DOE HQ and Field Organizations except for the PMAs and FERC. STARS generates DOE's annual Consolidated Financial Statements, which include the PMA and FERC data. STARS uses Oracle Federal Financials and is dependent on a combination of manual data entry and a series of system interfaces to collect and report accounting information. (See Attachment 4-2 for a listing and description of system interfaces).

(2) CHRIS: Human capital management component of iManage. Single, integrated Human Resource (HR) system created through a phased approach to provide the highest quality HR information and services to the Department's executives, managers, and employees. The primary objectives for CHRIS are to enhance operational efficiencies; reduce paperwork; eliminate redundant information systems; eliminate non-value added work; and provide information necessary to make informed human resource management decisions. The Department's Employee Self Service capability, which is a major part of CHRIS, provides many online services to employees and managers.

(3) VIPERS/VIAS – VIPERS provide DOE vendors a mechanism to submit invoices for payment to the ORFSC. VIAS will notify approving officials of proper invoices that are ready for review and approval. Approving officials then access VIAS to

disapprove or approve an invoice for payment. The VIAS System also provides the approving official with historical reports to assist with the payment approval process.

(4) STRIPES: STRIPES encompasses activities required or directly associated with planning, awarding, and administering various unclassified acquisition and financial assistance instruments. In general terms, the required activities are comprised of the following functions: acquisition/financial assistance planning; pre-solicitation documentation generation; solicitation development; evaluation and award; administration, including the housing of award documentation to support the payment approval process and instrument closeout. STRIPES uses Oracle Application Server's Enterprise Service Bus (ESB) component to facilitate integration with STARS, and future planned integrations with the Power Marketing Administration (PMA) financial management systems.

(5) FDS: FDS is an unclassified, centralized, online, interactive database and report retrieval financial system that provides for the receipt, control, and distribution of all obligational authority available to DOE. FDS fulfills the mission to provide for the distribution of all obligational authority made available to DOE for the fiscal year. At each stage in this process, specific controls, ceilings, and limitations are imposed on the use of the funds. FDS is used to establish and maintain these controls at the Departmental level to ensure that legal, Congressional, OMB and internal ceilings and limitations are not exceeded. FDS is the means by which officials within DOE (allottees) are delegated the authority to incur obligations within a specific amount pursuant to OMB apportionment or reapportionment action or other statutory authority making funds available for obligation. The Advice of Allotment transmits the obligational authority available and displays any legal limitations imposed on the use of the funds.

(6) eTravel (GovTrip): eTravel (GovTrip) is GSA-managed government initiative providing a collaborative, interagency program for agency travel services. Its purpose is to realize cost-savings and increased service associated with a common, automated, and integrated approach to managing the travel function of the federal government's civilian agencies. eTravel services are commercially hosted to minimize technology costs to the government and guarantee refreshed functionality. GovTrip is owned and operated by Northrop Grumman Mission Systems (NGMS) and hosted at their facility. GovTrip provides federal travelers the ability to manage their travel from end-to-end through a common, web based, government-wide service that integrates: 1) travel planning and cost estimating, 2) travel authorization, 3) reservations, 4) filing, processing, and approving official travel, 5) travel voucher/reimbursement, and 6) reporting.

(7) IDW: IDW is a central data warehouse linking common data element from multiple DOE corporate business systems including human resources, payroll, travel, procurement and financial management (accounting and budget) systems. Data is integrated, aggregated and summarized to provide mission critical reporting and

query capability. IDW utilizes the Business Intelligence (BI) reporting tool to create interactive dashboards, reports, charts and ad-hoc analysis.

Other corporate systems that are integral to these systems are:

(8) DOEInfo - DOEInfo is the departmental system that integrates payroll information from the Defense Finance and Accounting Services (DFAS) and the CHRIS employee information into a single repository. Another key component of DOEInfo is the Payroll Labor Distribution System (PLDS). PLDS takes input from the Defense Civilian Pay System (DCPS) gross pay reconciliation file,), and adjustments entered by EFASC payroll accountants. This information is interfaced into STARS to record total obligations, costs and payments related to DOE employees' salaries and benefits.

(9) iBudget: i Budget will be the Department's integrated budget formulation and budget execution system. iBudget will standardize budget formulation; streamline budget execution processes; integrated budget and performance data; consolidate corporate budget data; provide analytic capability for "slice/dice" and "what-if" projections; and integration with other business management and Field systems.

Currently, other budgetary systems being used include the Department's Budget Execution and Reporting System (BEARS) and the Funds Control Distribution System (FCDS):

(a) BEARS. The BEARS application is an iManage budget tool utilized to plan, streamline and maintain strict funds control, develop and issue financial plans to contractors, upload allocation/obligation data to STARS, download obligation and cost data from STARS, produce analytical budget reports, and assist Management in the analysis of budget and accounting data. Currently, Oak Ridge Office, Office of Scientific and Technical Information (OSTI), Strategic Petroleum Reserve Office (SPRO), Savannah River Site, Environmental Management Consolidated Business Center (Ohio), Idaho Office, Richland Office/Office of River Protection, and Golden Field Office utilize the BEARS application.

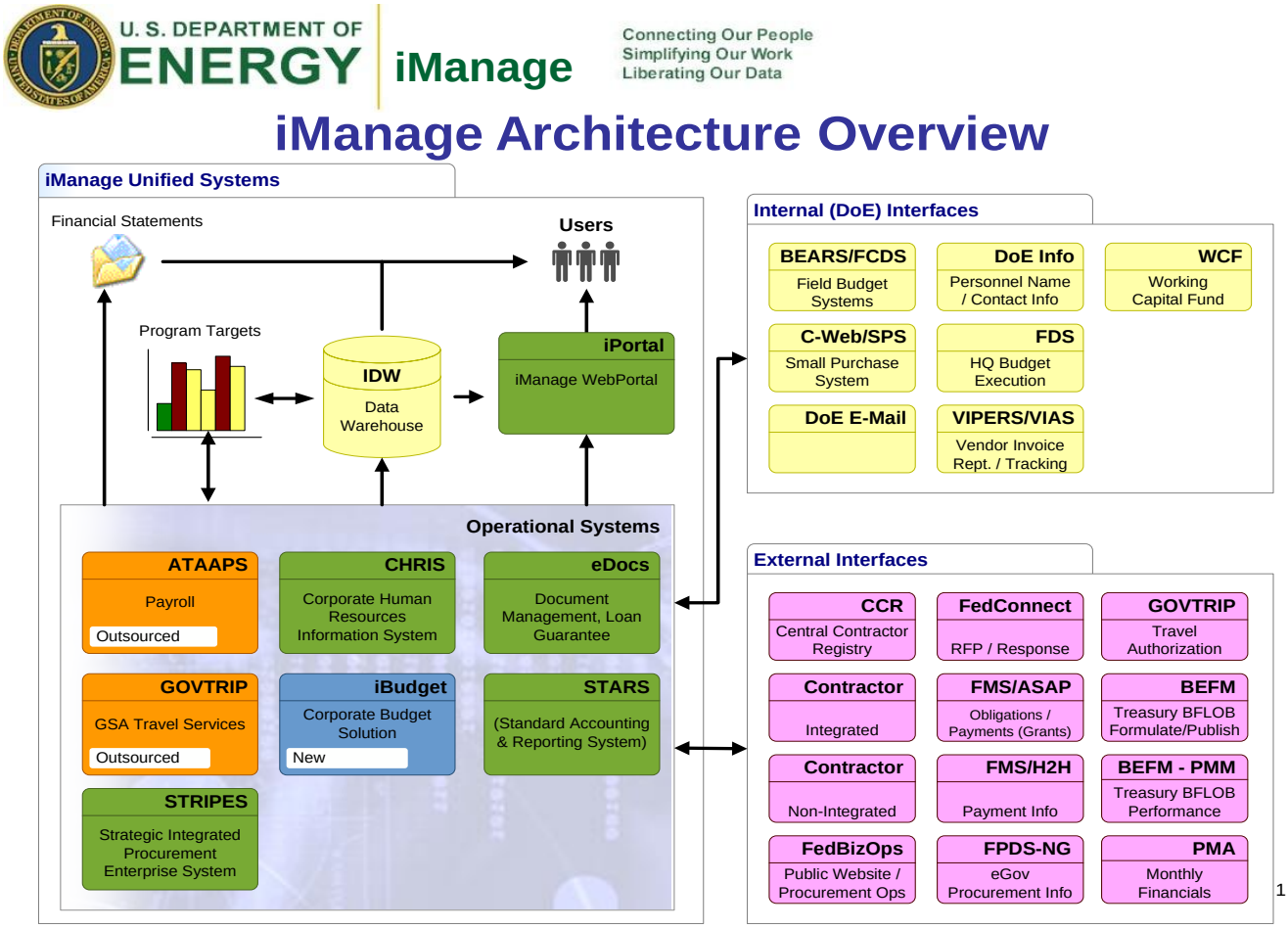
(b) FCDS. FCDS is an unclassified, real-time system that primarily performs the Allottee's Administrative Control of Funds function. In summary, FCDS provides an Allottee with early funds control detection prior to any formal recording in any I-Manage (STARS or STRIPES) system and a funds distribution functionality that is not duplicated in any I-Manage system; generally, FCDS: a) detects errors and records the HQ AFP, b) allocates Allotments accordingly, c) establishes subordinate budget authority and allotment controls, d) performs "what- if" scenarios before formal recording of results in an I-Manage system, e) plans and certifies funds availability, f) edits data entry upon input, g) records entries that cannot be recorded in any I-Manage system, h) distributes allotments via funding authorizations such as Local AFPs, i) supports Integrated Contractor funding modifications, j) generates

and transmits accounting entries through an interface into STARS, k) supplements STARS and IDW reports, and l) controls user access.

FCDS is electronically linked to STARS from two perspectives: 1) through an interface to feed allocation and obligation accounting entries and 2) valid value tables.

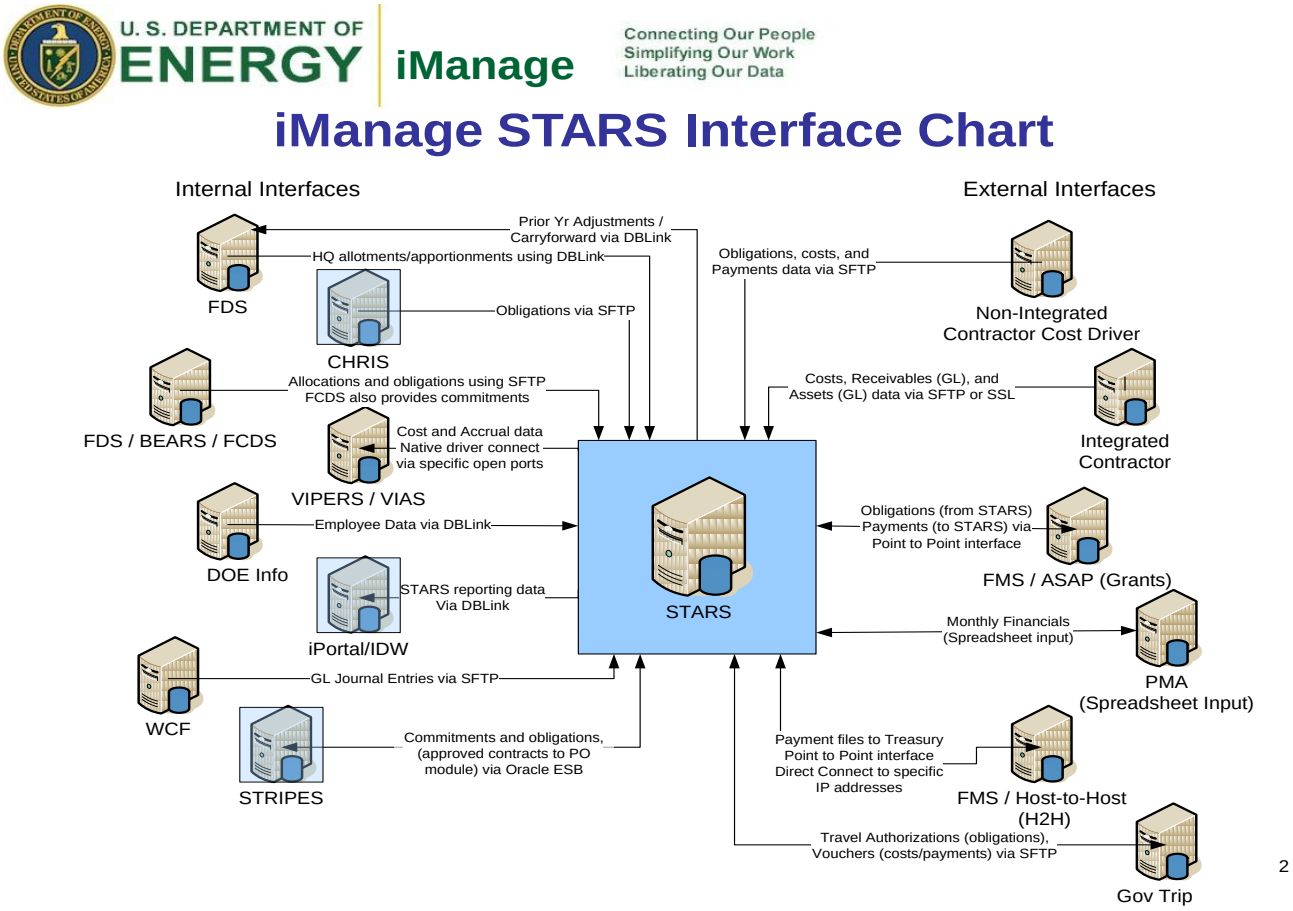
FCDS is administered and operated by the field Allottee organization, typically the Budget organization. NNSA and DOE's Chicago office utilize FCDS.

ATTACHMENT 4-1
I-Manage Architecture



1

ATTACHMENT 4-2
STARS Interfaces



CHAPTER 5

ACCOUNTING FOR OBLIGATIONS

1. **INTRODUCTION.**

a. **Purpose.** This chapter prescribes general requirements applicable to incurring, recording, and reporting obligations.

b. **Applicability.** This chapter applies to all Departmental elements, including the National Nuclear Security Administration.

c. **Policy.** In accordance with applicable statutory requirements, the Departmental policy for obligations is as follows:

(1) Incur obligations only for the purpose for which the appropriation is intended and within the time limits applicable to the appropriation.

(2) Obligate time-limited appropriations only to meet bona fide needs arising in the fiscal year(s) for which the appropriation is available, unless specified otherwise by law.

(3) Exercise adequate controls to ensure that obligations do not exceed the amount appropriated by statute and are not incurred before the appropriation becomes law, unless otherwise provided by law.

(4) Promptly record each obligation within the monthly accounting period in which the obligation event occurs. Record an amount as an obligation only when supported by documentary evidence as prescribed by 31 U.S.C. 1501(a).

(5) Record all valid obligations even when authority for the obligation has been exceeded with regard to dollar limitations, purpose, or time restraints.

(6) Review, at least annually, all unpaid obligations and deobligate all unsubstantiated obligations, and excess funds.

(7) Record, report, and identify the recovery of funds obligated in prior years, unless otherwise excluded in this chapter, or by law. These funds may be deobligated at any time, but they shall not be available for reuse until they have been formally allotted.

(8) Maintain documentary evidence in support of all obligations.

2. **COMMITMENT AND CERTIFICATION OF FUNDS AVAILABILITY.** In accordance with Chapter 2, “Administrative Control of Funds,” funds shall be reserved

before incurring obligations. A commitment (synonymous with "reservation") of funds is a budgetary and accounting action taken to reserve funds to ensure that funds are available before contractual documents are awarded. In addition, commitments are recorded for anticipated expenditures such as payroll and contingent liabilities. Commitments are valid only during the fiscal year in which they are executed. If funds are not obligated by the end of the fiscal year, a new commitment of funds must be made in the new fiscal year.

3. RECORDING OBLIGATIONS. In accordance with the policy set forth in paragraph 1 above, program budget and accounting officials must ensure all obligations are recorded in a timely and accurate manner and against the applicable legislative control levels and appropriation. Their responsibility herein includes preventing the overrecording and underrecording of obligations and meeting the standards for proper recording. Because the Department of Energy (DOE) has an immense variety of transactions, the decision and action to record an obligation must be evaluated carefully and conducted on a case-by-case basis, with an emphasis on recording only legitimate obligations.

4. OBLIGATION OF TIME LIMITED FUNDS. Budget and accounting officials must comply with the *bona fide* need rule. The *bona fide* need rule comes from 31 U.S.C. Sec. 1502(a), which prohibits an agency from obligating funds that are appropriated for the needs of a time-limited period (single-year or multi-year) to meet the needs of subsequent time periods unless the obligation is authorized by more specific statutory authority such as the Federal Acquisition Streamlining Act of 1994 (FASA). The *bona fide* needs rule applies to multiyear appropriations and single-year appropriations; **it does not apply to no-year appropriations.** Questions regarding the applicability of the *bona fide* needs rule, severability determination, or the Federal Acquisition Streamlining Act of 1994 (FASA), should be referred to the Office of the General Counsel's Office of the Assistant General Counsel for General Law or the NNSA Office of the General Counsel.

Examples and detailed discussion on the *bona fide* need rule, severability determination, and obligations of time-limited appropriations are presented in GAO Principles of Federal Appropriations Law, and can be found in the *Time Limited Reference Guide* provided by the CFO Office of Financial Risk, Policy, and Control. The guide can be found on the Financial Policy iPortal page.

Currently available time-limited funds, described in this section, include both (1) time-limited funds appropriated and apportioned in the current year and (2) carry-over balances, from prior year time-limited appropriations, apportioned and reapportioned in the current year.

a. **Obligations for Non-Severable Requirements.** Agencies may obligate time-limited funds to cover all non-severable requirements (as determined by the Contracting Officer) that will be performed under the entire contract, including the portion of the requirements that will be performed subsequent to the period during which the time-limited funds may be obligated. The entire non-severable

requirement (with all of its separate components) is considered a *bona fide* need of the time period that the agency entered into the contract. Additional Guidance is provided in the DOE Acquisition Letter 2012-06, dated January 12, 2012; this is attached to the *Time Limited Reference Guide* provided by the CFO Office of Financial Risk, Policy, and Control.

b. **Obligation for Severable Requirements.** Agencies may obligate time-limited funds only to cover the severable requirements (as determined by the Contracting Officer) that will be performed in the period during which the time-limited funds may be obligated. Each of the separate components of the severable requirements must be funded only with the time-limited funds applicable to the period in which the need for the component arises.

There is one partial exception to this basic rule for the funding of severable requirements. The Federal Acquisition Streamlining Act (41 U.S.C. § 3902) provides that an agency may enter into a contract, option, or order for severable services that crosses fiscal years and fund it (with all of its components) with funds of the current fiscal year, provided that the period of performance of the contract, option, or order does not exceed twelve months. The partial exception applies: to one-year funds; and to multiple year funds *in the last year of their availability for obligation* (prior to the last year there is no need for an exception to obligate funds across fiscal years during the normal period of availability). Additional Guidance is provided in the DOE Acquisition Letter 2012-06, dated January 12, 2012.

c. **Travel with Time Limited Funds.** For temporary-duty travel (TDY) that spans fiscal years, the estimated costs of the trip must be obligated to currently available time-limited funds during the fiscal year in which the expenses are incurred by the traveler.

An exception to the general rule applies for transportation costs such as air/rail (That departs in September and returns in October). These costs may be fully obligated against the currently available time-limited funds when the trip begins.

d. **Training and Development.** These expenses may be charged to the currently available time-limited funds in which the obligation is incurred regardless of the fact that the training may extend into the following fiscal year. *See Title 31 USC §1502(a)*. Training typically tends to be non-severable.

An agency also may charge currently available time-limited funds for the entire cost of a training course scheduled to begin in the next fiscal year when;

(1) The training meets a *bona fide* need of the current fiscal year;

(2) Scheduling of the training is beyond the agency's control; and

(3) The time between procurement and performance is not excessive.

Additional information can be found in Chapter 5 of the GAO *Principles of Federal Appropriations Law*.

e. Agreements with Other Federal Agencies. When other Federal agencies provide services or materials to the Department under an interagency agreement authorized by the Economy Act, DOE must deobligate any time-limited funds that have not been obligated by the performing agency prior to the expiration of the funds. The deobligation is a control to ensure that expired funds are not improperly obligated by the performing agency. These expired funds are not available for new obligations.

f. Replacement Contracts using Expired Funds. When it becomes necessary to terminate a contract funded with time limited funds that have expired, because of the contractor's default, the funds obligated under the original contract may be available for the purpose of engaging another contractor to complete the unfinished work, notwithstanding the fact that their original period of obligational availability has expired. This authority applies only to contracts terminated because of the default by the contrator, and not to contracts terminated for conveinence.

In order for funds to remain available beyond expiration for a replacement contract, three conditions must be met:

(1) A *bona fide* need for the work, supplies, or services must have existed when the original contract was executed, and it must continue to exist up to the award of the replacement contract; and

(2) The replacement contract must not exceed the scope of the original contract. If it does, it is a new obligation and must be charged to funds currently available for obligation at the time the replacement contract is entered into; and

(3) The replacement contract must be awarded within a reasonable time after termination of the original contract.

Additional information can be found in Chapter 5 of the GAO *Principles of Federal Appropriations Law.*

g. Adjustment(s) Increasing an Obligation after the Expiration of the Appropriation (Upward Adjustments). These adjustments must be coordinated

with the appropriate DOE HQ or Field Service Center Element. These should be recorded and reported only as valid upward adjustments in accordance with requirements set in Chapter 2 of the DOE Financial Management Handbook, "Administrative Control of Funds."

h. Adjustment(s) Decreasing an Obligation after the Expiration of the Appropriation (Deobligations of Expired Funds). These adjustments must be coordinated with the appropriate DOE HQ or Field Element Service Center. These should be reported as downward adjustments in accordance with requirements set in Chapter 2 of the DOE Financial Management Handbook, "Administrative Control of Funds." Please note:

(1) When deobligated, expired funds are not legally available for incurring new obligations, but they may be used to cover other valid upward adjustments within the original appropriation or fund in the expired account.

(2) Deobligated, expired funds are not legally available for incurring obligations on new or successor contracts. New or successor contracts must be obligated using current unexpired appropriation(s) that are available for incurring new obligations at the time the contracts are awarded.

i. Closed Appropriations. In accordance with 31 U.S.C. § 1552 and Chapter 2, "Administrative Control of Funds," obligated balances of expired accounts (closed fixed period) remain available for 5 years after the expiration of the funds for expenditures and valid upward adjustments of the original obligation.

At the end of the 5-year period, all unliquidated obligations must be canceled by the Department, and the accounts are closed. Any subsequent payment or obligation associated with a closed account shall be paid from a current unexpired appropriation made for the same general purpose. If there are no funds available that were appropraited for the same general purpose, consult with the Office of the General Counsel's Office of the Assistant General Counsel for General Law or the NNSA Office of the General Counsel.

The total amounts of payments or obligations, identified above, may not exceed either the amount available in the original appropriation or fund account that was closed, or one percent from the current unexpired appropriation.

5. TYPES OF OBLIGATIONS.

a. Contracts.

(1) Site Facility/Management Contracts (e.g., M&O's). Record an obligation based on an integrated contract or contract modification that

normally is supported by a locally issued financial plan providing for operational requirements of the current year. It is essential that each contractor's cost and outstanding encumbrance levels be followed closely to ensure that the program being carried out does not exceed funds obligated on DOE records. Financial plans issued to contractors shall be consistent with amounts obligated by DOE, including appropriate adjustments and limitations in the event of a continuing resolution.

(2) **Firm Fixed Price Contracts.** Record obligations for the total amount stated in a firm fixed price contract when the contract is executed. An exception to this policy is made if the contract contains a limitation of Government obligation clause and the project has been approved through the budget process for incremental funding. In such a case, the contract may be funded incrementally; that is, obligations may be recorded to cover termination costs and current-year requirements only. When the termination costs decline as the project approaches completion, the obligations should be reduced accordingly.

(3) **Fixed Price Contracts with Escalation, Price Redetermination, or Incentive Provisions.** When a fixed price contract is executed, record an obligation in the amount of the price stated in the contract or in the amount of the billing price if the contract includes an incentive clause. The initial obligation shall include an amount to cover the expected payments to be made under the variable conditions of the contract, such as engineering services, prepaid transportation, and container deposits. The recorded obligation shall be adjusted to cover price revisions at the time the revisions are determined in accordance with the contract.

(4) **Cost Reimbursement Contracts and Time and Material Contracts** include cost plus fixed fee, cost, cost sharing, cost plus incentive fee, cost plus award fee, time and material, and labor hour contracts. When a contract is executed, record an obligation in an amount not in excess of the total estimated costs, including the fixed fee in the case of a cost plus fixed fee contract and the target fee in the case of a cost plus incentive fee contract. Adjustments to the initial recorded obligation shall be made only when they are supported by properly executed modifications to the contract.

(5) **Indefinite-Delivery-Type Contracts.**

(a) **Open-End or Indefinite Quantity Contracts** include call contracts, options contracts, as-desired or wish, want, or will contracts, basic agreements and basic ordering agreements, blanket purchasing agreements for small purchase orders, credit cards, and indefinite delivery contracts. These contracts are collectively

termed "open-end" because they place no obligation on the Government, regardless of its requirements, to place orders beyond any stated minimum quantity. Funds for the stated minimum quantity are obligated upon execution of the contract. Funds for any quantity in excess of the stated minimum are obligated upon issuance of the order.

(b) **Definite Quantity Contracts** provide for deliveries of definite quantities of specific goods or services for fixed periods, with deliveries scheduled at designated locations. DOE is obligated to purchase the quantity of supplies or services designated in the schedule of a definite quantity contract. Depending on the situation, a definite quantity contract may provide for a fixed unit or a fixed price. The entire contract amount is recorded as an obligation against the appropriation available at the time of contract award.

(c) **Requirements Contracts** provide for filling all actual purchase requirements for specific goods or services during specified contract periods. Deliveries under the contract are scheduled by placing orders with the contractor. The amount of each order is recorded as an obligation when issued.

(d) **Task Order Contracts** are usually service-related contracts awarded for specific performance periods. When services are required, a task order is issued to the contractor. The task order provides the scope of work, the deliverable, and the expected cost, and is recorded as an obligation when issued.

(6) **Contracts Under Specific Statutory Authority.** The DOE obligation for a contract under specific statutory authority (such as the acquisition of source material or utility services) shall be recorded at the beginning of each month or quarter for the estimated deliveries during that period. At the end of each fiscal year, the unpaid obligation under the contract shall be adjusted to the actual or estimated amount determined at that time to be due for deliveries actually received through the end of the fiscal year.

(7) **Other Contracts.**

(a) **Contracts Authorizing Variations in Quantities.** An obligation shall be recorded when a contract is executed and only in the amount and for the quantity specified for delivery, exclusive of permitted variations. Increase or decrease the amount recorded to cover the amount for the quantity actually delivered and accepted.

(b) **Combination Contracts.** Combination contracts are contracts or agreements that contain more than one type of obligation. The total amount to be recorded as an obligation upon execution of such a contract should be the sum of amounts arrived at as appropriate for each of the various types.

(c) **Contracts Covering Lands and Structures.** Contracts covering lands and structures involve procurement of land and interest in land, buildings and other structures, additions to buildings, nonstructural improvements, and fixed equipment. Obligations shall be established upon execution of the contracts for the total amounts involved, in the absence of incremental funding as described in paragraph 4a(2).

(d) **Lease Purchases and Capital Leases.** Lease purchases and capital leases, excluding telecommunication systems, must be fully obligated at the inception of the lease agreement. The acquisition of telecommunication systems is considered as a purchase of public utility services and is not subject to Office of Management and Budget (OMB) lease funding requirements. Operating leases also must be fully obligated at inception unless the lease includes a cancellation clause. In that case, the maximum liability is the amount of the lease payments over the minimum lease period plus any required cancellation payment.

(e) **Letter Contracts and Amendments Thereto.** A letter contract or any amendment thereto, must be sufficiently specific and definitive to show the purpose and scope of the contract finally to be executed and, when accepted in writing by the contractor, shall constitute documentary evidence to support the recording of an obligation at the time the document is executed. The obligation shall be recorded in the amount stated as the maximum under the letter or amendment. The maximum shall be the amount necessary to cover costs and commitments to be incurred by the contractor before the execution of a definitive contract. Increase or decrease the obligation so recorded to the amount provided for in the definitive contract when it is executed. If the letter merely indicates the Government's intention to enter into a contractual relationship at a later date, treat the amount involved as a reservation rather than an obligation.

(f) **Condemnation Proceedings.** For condemnation proceedings, obligate the estimated price of the land at the time the Attorney General is requested to state the proceedings, adjusted to the

amount of the payment to be held in escrow when there is a declaration of the taking.

(g) **Multiyear Service Contracts.** Multiyear service contracts such as grounds maintenance and purchase contracts for expendable commodities should be obligated as if they were operating leases.

b. **Grants, Cooperative Agreements, and Technology Investment Agreements.** Grant, cooperative agreement, and technology investment agreement obligations are incurred at the time an authorized contracting officer signs the award document. The grantee accepting the award need not sign the award document for the obligation to be incurred and recorded. Once funds have been obligated for a grant, cooperative agreement, or a technology investment agreement, a modification or an amended award document signed by an authorized contracting officer is required to deobligate funds. This applies to a newly awarded grant, cooperative agreement, or a technology investment agreement, not accepted by the grantee, to a reduction in an amount previously awarded, and to a closeout adjustment to the balance of a DOE obligation. Chapter 14, Grants, Cooperative Agreements, and Technology Investment agreements, provides additional information.

c. **Purchase Orders.** Record obligations in the amounts stated in the purchase orders for materials or services at the time the purchase orders are issued.

d. **Payroll.**

(1) **Employee Salaries.** Obligate the actual amounts earned by and paid to employees during the pay period from computations based on payrolls at the close of each pay period. Additionally, accrue and obligate each month the estimated amounts due but not paid to employees, and adjust or reverse this obligation in the following month.

(2) **Other Charges Based on Salaries.** Living and quarters allowances; supplemental pay allowances under 5 U.S.C. 3373; and employers' shares of contributions to retirement funds, insurance premiums, and Federal Insurance Contributions Act and Medicare taxes are obligated at the time employee salaries are earned and obligated as stated above in paragraph 4d(1).

(3) **Other Allowances such as Uniform Allowances and Incentive Awards.** Obligate these types of allowances and awards when they become payable to the employees.

(4) **Severance Pay.** Obligate severance pay for the pay period covered, on a pay-period-by-pay-period basis.

(5) **Annual Leave and Sick Leave.** Obligate annual leave for DOE employees when it becomes due and payable as terminal leave or when otherwise specifically authorized by law, rather than at the time the leave is earned. Sick leave is obligated, costed, and paid when used.

e. **Travel.**

(1) **Temporary Duty (TDY)** – Record an initial obligation for temporary duty (TDY) travel based on approved travel authorizations. The amount represents an estimate of all costs associated with the trip. For TDY funded by time-limited appropriations that spans fiscal years, see section 4.c.

(2) **Permanent Change of Station (PCS) –** For PCS, record an obligation representing the estimated travel costs to the current appropriation when the travel authorization is issued. Record an adjustment to the obligation based on the costs itemized on the traveler's settlement voucher.

(3) **Local Travel –** Usually, local travel costs are obligated based on receipt and approval of the traveler's claim voucher.

f. **Transportation of Other Goods.** Government bills of lading, other commercial contracts, and intra-governmental orders for specific transportation services are recorded as obligations when issued. Obligations for transportation that has not been commenced at yearend must be deobligated and obligated in the next fiscal year if still valid. In the case of expenses for shipment of household goods and for other change-of-station expenses, record an obligation against current-year funds when the employee is issued travel orders. The obligation shall remain recorded until it is liquidated by payment or there is a modification or cancellation of the travel orders.

g. **Communications and Public Utilities.** Normally, the estimated or actual amounts for metered services received in that month are obligated at the close of each month.

h. **Agreements with Other Federal Agencies.** The Economy Act of 1932 (31 U.S.C. 1535) is an example of an authority that allows DOE to enter into agreements to acquire or provide goods or services with other Federal agencies. Chapter 13, Reimbursable Work, Revenues, and Other Collections, provides the policies for funds-in agreements.

(1) **DOE as Ordering Agency (Funds Out).** An agreement made by DOE with another Federal agency for the furnishing of materials or services that are chargeable to DOE's appropriations shall be recorded as a valid obligation for the full amount stipulated in the agreement as of the date of acceptance, see section 4.e. When the agreement is executed by a transfer

appropriation (Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization"), the obligation is recorded based on the obligation reported by the performing agency on its SF-133, "Report on Budget Execution."

(2) **DOE as Performing Agency (Funds In).** Funds provided under reimbursable agreements are to be used solely for the intended purposes and in accordance with the legal and other limitations imposed on the use of funds as specified in the agreements. Failure to adhere to these limitations constitutes an unauthorized use of funds and a potential violation of 31 U.S.C. 1301.

i. **Cooperative Work with Other Federal and Non-Federal Entities.** DOE funds shall not be used to finance a cosponsor's share of a cooperative work project. Chapter 13, Reimbursable Work, Revenues, and Other Collections," provides the policies for cooperative work.

j. **Interagency Orders Required by Law.** In some instances, the law requires that orders for supplies or services be placed with certain Federal agencies operating under self-sustaining, revolving, or working-capital funds established by law. Record an obligation when the order is issued to the other agency, even though the work may be completed or supplies may be delivered during the ensuing fiscal year. Review such orders annually.

k. **Claims.**

(1) **Tort Claims.** In the case of an award, compromise, or settlement of a tort claim by DOE in an amount of $2,500 or less, funds are obligated on the date of the award, compromise, or settlement (28 U.S.C. 2672) out of appropriations made available by DOE. An award, compromise, or settlement in excess of $2,500 shall be paid under the Permanent Appropriation (31 U.S.C. 1304(a)), in accordance with the instructions found in Chapter 11, "Liabilities."

(2) **Contractor Claims before the Board of Contract Appeals.** If sufficient funds are not obligated under the contract, the field Chief Financial Officer (field CFO) or equivalent obligates funds in either of the following cases:

(a) When a compromise or settlement agreement in favor of the contractor is effected while a claim is before the Board of Contract Appeals, on the date (or as soon after the date as possible) of the compromise or settlement agreement.

(b) If the board decision is adverse to DOE, on the date the decision becomes final (30 days after receipt of the decision by either party,

unless either party requests board reconsideration within the 30-day period). Check with the board recorder to ascertain the status of a board decision.

(3) Claims before the U.S. Court of Claims. Because contractors have the option of presenting their claims directly to the U.S. Court of Claims, the finance office shall obligate funds in the same manner as described in paragraph 4j(2) above.

l. Inter-Entity Work.

(1) Cost of Work Performed by One DOE Office for Another. For work authorizations in excess of $1,000,000, field offices will use the Inter-Entity Work Order (IWO) Process. Detailed procedures for the Interoffice Work Order Process are in Chapter 12, "Inter-Entity Transactions."

(2) Transfers of DOE-Owned Materials and Equipment. Detailed procedures for the Interoffice Work Order Process are in Chapter 12, "Inter-Entity Transactions."

m. Interest. DOE is not liable for interest unless it has consented to be liable for interest, either by the enactment of legislation or by contractual agreement. When DOE is liable, the field CFO or equivalent shall obligate interest for the amount that is owed during the reporting month.

n. Foreclosures. The cost of foreclosures shall be obligated when the cost is identified and authorized in accordance with a loan default or delinquent receivable settlement action.

o. Payments in Lieu of Taxes. Payments in lieu of taxes (PILT) are recorded as obligations in accordance with the terms of the Intergovernmental Agreement (IGA). The obligation is recorded when the IGA or a modification to the IGA is executed. Obligations for recurring payments in fiscal years subsequent to an IGA or modification are recorded when the PILT for that fiscal year is approved for payment.

6. ADJUSTMENTS TO OBLIGATIONS. To comply with the requirement that obligations be recorded in a timely manner, adjustments to increase or decrease obligations must be recorded when events or justifiable conditions occur. Program budget and accounting officials have mutual responsibility to ensure the following minimum requirements are considered or used to adjust obligations:

a. Modifications of Agreements. When contract modifications involve changes in amounts for any reason, including corrections of estimates, required obligation adjustments shall be promptly recorded when the changes in amounts are formalized and from funds currently available.

b. **Termination of Contracts and Agreements.** When a contract or agreement is terminated in whole or in part for the convenience of DOE, decrease the pertinent obligation to an amount sufficient to meet the settlement costs under the termination. Do not decrease the obligation below the amount estimated by the contracting officer on the basis of the best evidence available of the amount due as a result of such termination. The deobligation shall be supported by contract modification or formal termination agreement, except for the deobligation of small purchase and delivery orders, for which the contracting officer may use a locally approved form in lieu of a contract modification to indicate that remaining funds are not needed for further payment and should be deobligated. For the purpose of this exception, small purchase and delivery orders shall be limited to the Federal Acquisition Regulation Simplified Acquisition threshold of $100K or less**.**

c. **No-Year Appropriations.** Unpaid obligations shall be canceled when the Secretary or President determines the purpose(s) within a no-year appropriation has been carried out and there is an absence of any disbursement for 2 consecutive fiscal years.

d. **Special Requirements for Increasing Obligations.** Adjustment(s) correcting an erroneously reported prior-year deobligation must not be corrected unilaterally by the allottee. To avoid a potential deficiency violation, the allottee shall request allotment of funds from the Chief Financial Officer to correct the error.

e. **Special Requirements for Decreasing Obligations (Deobligations).** To ensure compliance with OMB Circular A-11, changes in obligations incurred in prior years must not be netted against current obligations. All evaluations and executions of deobligations within unexpired accounts are subject to the following requirements.

(1) The most recently obligated funds shall be deobligated first unless otherwise identifiable. Whenever the amount deobligated is greater than the balance available for deobligation from the current fiscal year activity, the deobligation is charged to the balance available for deobligation from the preceding fiscal year. This process is repeated back through preceding fiscal years until the full amount deobligated is recorded. Obligations adjusted within the same fiscal year as they were originally obligated are again available for new obligations as if they had never been obligated in the first place.

(2) Downward adjustments of prior-year obligations that result in a net decrease at the individual contract level shall be reported as a prior year downward adjustment and the funds withdrawn from the field office's allotment, except as noted below. Funds so identified are unavailable for obligation unless reallotted.

(3) The following fund/transaction types are exempt from the requirement to request allotment, and deobligation of these funds should not be recorded or reported as a prior-year deobligation:

(a) Revolving (Treasury symbols that begin 89X4***), special (Treasury symbols that begin 89X5***), and trust funds (Treasury symbols that begin 89X8***);

(b) Geothermal Resources Development Fund;

(c) Funds not subject to apportionment, including transfer appropriations;

(d) Reimbursable work for other Federal agencies and non-Federal entities.

(e) Transfers of work using Interoffice Work Orders (IWOs);

(f) Institutional school and hospital conservation grant program;

(g) Obligations for salary, training, travel (to include permanent change of station and temporary duty), and purchase orders for less than $25,000;

(h) Adjustments to accruals;

(i) Transfer of obligation from one organization to another because of a change in contract administration, or from one contractor to another associated with a change of site/facility management contractors at a **DOE** facility.

f. Furnishing of Items by DOE to Contractors. When certain items are procured by the contractor and the estimated cost is included in the contract amount obligated and it becomes necessary or advisable for DOE to supply such items, a modification or other applicable contract action shall reflect a change in amount, and the pertinent obligation shall be reduced accordingly. Loan of equipment by DOE to a contractor may require similar action.

7. REVIEW AND REPORTING OF OBLIGATIONS.

a. **Periodic Review and Validation of Unpaid Obligations Balances.** Field CFOs or equivalents have primary responsibility for ensuring that all known transactions meeting the criteria of 31 U.S.C. 1501 have been recorded as obligations; that the unpaid balances of these obligations are reviewed at a minimum, at least annually, and are valid; and that invalid, inactive (stale), or excess balances, as a result, are promptly deobligated.

b. **Annual Certification.** Field CFOs or equivalents certify the accuracy of the balances contained on the FMS 2108, Yearend Closing Statement; specifically, they certify that all known obligations are recorded correctly and that each meets the criteria established in 31 U.S.C. 1501. However, field CFOs or equivalents are expected to continue to monitor their FMS 2108 reports throughout the fiscal year, and report as directed by the Office of Finance and Accounting.

Additionally, field CFOs or equivalents have the responsibility for ensuring that inactive (stale) obligations are identified, reported, and reviewed in accordance with the guidance and requirements set forth in the Departmental Obligation Reconciliation and 2108 Certification Standard Operating Procedure Guide provided by the Office of Finance and Accounting.

c. **Reporting of Uncosted Obligated Balances.** Uncosted obligated balances are periodically projected, analyzed, and reported by Departmental elements in support of the budget formulation process. Specific reporting requirements will be provided by the Office of Budget.

CHAPTER 6

CASH

1. INTRODUCTION.

a. Purpose. This chapter provides Departmental procedures and policy for handling cash and transactions in which cash is involved. It supplements the Treasury Financial Manual (TFM) and the Department of the Treasury (Treasury) Financial Management Service's (FMS) supplement to the TFM, "Cash Management Made Easy." Additional information is available on the FMS website at www.fms.treas.gov.

b. Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview." The Power Marketing Administrations (PMAs) are subject to all financial policies and procedures of the Department unless these policies and procedures are superseded by the Federal Columbia River Transmission System Act, the Government Corporation Control Act, or other statutory authority. When in conflict with the provisions of this chapter, PMAs shall observe the policies and meet the reporting requirements of the Federal Energy Regulatory Commission (FERC) and other industry standards. Specific site/facility management contractor requirements are as follows unless more detailed guidance is provided by the responsible contracting officer:

(1) The contractor's system of internal controls will be adequate to ensure proper control of cash from its receipt to final disposition.

(2) When payment terms are not defined by the procurement document, a 30-day payment period will be assumed.

(3) Disbursements and collections will be by electronic funds transfer (EFT) to the maximum extent feasible.

(4) Treasury checks will be deposited in a Federal Reserve Bank.

(5) All other collections will be deposited in the special financial institution account to the extent authorized in the contract, unless otherwise directed by the contracting officer. All DOE funds held in commercial financial institutions will be collateralized in accordance with 31 CFR 202. Additional information is available on the Treasury website at www.fms.treas.gov/collateral.

(6) Unannounced verifications of imprest funds will be performed quarterly, and periodic reviews will be made to ensure they do not

exceed actual needs. However, the Treasury Policy Directive issued November 9, 1999, requires agencies to eliminate imprest funds except under circumstances described in paragraph 12.

(7) Payments cleared funding activities will be managed in accordance with paragraph 7.

c. **Requirements.** Procedures for accounting for cash from its receipt to final disposition must include safeguards necessary to ensure proper control as outlined in DOE O 413.1A, Management Control Program.

(1) Personnel handling cash, or involved in making accounting transactions affecting cash, are responsible for receiving, safeguarding, recording, depositing, and disbursing cash on a timely basis, and for keeping the required records and accounts.

(2) Collections and all other funds held within the finance organization (for example, negotiable instruments, travelers checks, airline tickets, third-party drafts, and other cash instruments), whether pending regular deposit or deposit in imprest funds, shall be handled as cash and kept under complete control and proper physical safeguards. At a minimum, they shall be kept in a fire-resistant combination safe or safe-cabinet.

(3) A proper segregation of duties will be maintained to minimize the risk of loss from theft, fraud, and error.

(4) Pursuant to Public Law 104-134, the Debt Collection Improvement Act of 1996 (DCIA), DOE requires each contractor doing business with DOE to furnish its Taxpayer Identification Number (TIN) to DOE (31 U.S.C. 7701(c)) and requires DOE to include, with each certified voucher prepared by the DOE payment office and submitted to a disbursing official, the TIN of the contractor receiving payment under the voucher (31 U.S.C. 3325(d)). The TIN may be used by the DOE to collect and report on any delinquent amounts arising out of the contractor's relationship with the Government. If a contractor refuses to provide a TIN, the payment office should begin backup withholding immediately on any reportable payments (paragraph 15d). The Federal Acquisition Regulation (FAR) requires DOE contracting officers to:

(a) Attach a copy of the completed solicitation provision as the last page of the copy of the contract sent to the payment office if the contractor has furnished a TIN when completing the solicitation provision, Taxpayer Identification (48 CFR

52.204-3), or Offeror Representations and Certifications–Commercial Items (48 CFR 52.212-3);

(b) Annotate the last page of the contract or order forwarded to the payment office to state the contractor's TIN and type of organization if the TIN or type of organization is derived from a source other than the provisions in paragraph (a) above;

(c) Forward the information to the payment office within 7 days of its receipt if the contractor provides its TIN or type of organization to the contracting officer after award.

(5) Pursuant to the DCIA and regulations promulgated by Treasury (31 CFR 208), all DOE payments shall be made by EFT. See FMS's supplement to the TFM, "Cash Management Made Easy," for more information on electronic payment and collection requirements. Payment by EFT is not required, for individuals only, in the following cases:

(a) Where an individual determines, in his or her sole discretion, that payment by EFT would impose a hardship due to a physical or mental disability or a geographic, language, or literacy barrier, or would impose a financial hardship;

(b) Where the political, financial, or communications infrastructure in a foreign country does not support payment by EFT;

(c) Where the payment is to a recipient within an area designated by the President or an authorized DOE administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared;

(d) Where either:

1. A military operation is designated by the Secretary of Defense in which uniformed services undertake military actions against an enemy, or

2. A call or order to, or retention on, active duty of members of the uniformed services is made during war or national emergency declared by the President or Congress;

(e) Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised;

(f) Where the office is not expected to make more than one payment to the same recipient within a one-year period, i.e., the payment is non-recurring, and the cost of making the payment via EFT exceeds the cost of making the payment by check; and

(g) Where DOE's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than EFT; or, where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than EFT.

(6) Final EFT FAR (64 FR 10538) requires contracting officers to insert the "Payment by Electronic Funds Transfer" clause in all solicitations and contracts and forward EFT information provided by the successful offeror to the payment office (48 CFR 32.1109-1110).

(7) The Intra-governmental Payment and Collection System should be used for all intra-governmental payments and collections.

(8) Wire transfer payments should be restricted to emergencies or unusual situations. The cost of a wire payment is significantly higher than a next day Automated Clearing House (ACH) payment.

(9) Electronic collection methods will be used whenever possible. Sales agreements should provide for collection by EFT.

(10) Each Field Chief Financial Officer or equivalent (Field CFO or equivalent) will maintain written internal procedures for cash management and will monitor the office's cash management practices.

2. COLLECTIONS AND DEPOSITS. See I TFM 5, I TFM 6-8025, and I TFM 6-8030 and "Cash Management Made Easy," Chapter 2. Offices are encouraged to use EFT whenever cost effective and feasible.

a. Electronic Funds Transfer. FMS has several EFT collection mechanisms available. Enrollment forms and details are available on the Treasury website at www.fms.treas.gov. Some of these are:

(1) Remittance Express - allows the Federal Government to receive Automated Clearing House (ACH) credits directly into the Treasury General Account from a customer's bank for payments to a Federal agency.

(2) Electronic lockboxes - allow Customer Initiated Entries or Pre-authorized debits to the lockbox bank.

(3) Pay.gov - allows agencies to establish an Internet site through FMS to collect customer remittances.

(4) Plastic Card Network - allows agencies to accept VISA, MasterCard, American Express, Diners Club, and Discover/Novus credit cards and some debit cards for collecting funds due the Federal Government.

(5) Paper Check Conversion at the Point of Sale - converts personal paper checks into EFT debit transactions against the check writer's account. This eliminates the need to transport paper.

b. **Cash and Checks.** Cash and checks are processed through Federal Reserve Banks, Treasury General Accounts, and Lockboxes. The Energy Finance and Accounting Service Center (EFASC) will provide instructions for the deposit of checks that are sent in error to DOE field offices that are part of EFASC. To reduce processing float and improve availability of funds, offices must adhere to the following deposit practices:

(1) Offices will deposit receipts totaling $5,000 or more received prior to depositary cutoff time, on the same day at the nearest commercial bank (i.e., Treasury General Account). Deposits will be made as late as possible prior to the specified cutoff time to maximize daily deposit amounts.

(2) Monies received too late in the day to meet the deposit cutoff time must be deposited the following business day. Offices must have adequate internal controls in place to ensure the security of all undeposited funds.

(3) Collections totaling less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, deposits will be made by Thursday of each week, regardless of the amount accumulated.

(4) Offices will generally limit their deposits to one per day per deposit site. However, when beneficial to the Government, offices will make multiple deposits.

(5) All Treasury checks must be deposited with the nearest Federal Reserve Bank (FRB). These checks may be mailed or delivered via courier. All cash receipts must be converted into a cashier's check or money order. The FRB does not accept walk-in deposits or cash deposits of any kind.

3. DISBURSEMENTS. See I TFM 4, I TFM 6-8040.10 and "Cash Management Made Easy," Chapter 3 and 5 CFR Part 1315, Prompt Payment, Final Rule. The principal objectives of control over disbursements are to ensure that all disbursements are legal, proper, correct, and timely and that they are recorded accurately and reported promptly. Payments are to be made electronically except in situations where EFT requirement is waived under 31 CFR 208.4. (See paragraph 1c(5)).

a. Introduction. Officials responsible for the examination and payment of invoices shall establish adequate procedures to safeguard against illegal or erroneous certifications and payments, and shall implement any necessary measures to effect recovery of amounts illegally or erroneously paid.

b. Accountable Officers. An accountable officer is any government officer or employee who by reason of his or her employment is responsible for or has custody of government funds. Certifying officers and cashiers are accountable officers. Refer to I TFM 4-2040 for information on procedures for appointing certifying officers and Title 31, Section 3528, of the United States Code (31 U.S.C. 3528), as amended, for the legal responsibilities of a certifying officer.

(1) Delegation of Authority. In accordance with I TFM 4-1135, the Secretary of Energy has been delegated the authority to designate certifying officers, electronic certification security administrators, communication encryption officers and to appoint cashiers. Within the Department, this authority has been further delegated to the CFO; Deputy CFO; the Director, Office of Financial Policy; and the Team Leader, Management Accounting and Cash Management. Each Field CFO or equivalent requesting delegation of designation authority must complete FMS Form 2958, Delegation of Authority, identifying the specific authorities for which delegation of designation authority is requested and submit the completed form to the Office of Financial Policy for approval. The Director, Office of Financial Policy, or the Team Leader, Management Accounting and Cash Management, will approve the request, sign the form as the delegator, and forward it to Treasury. Upon receipt of a copy of the executed form from Treasury, Field CFOs or equivalents will then designate certifying officers as directed in I TFM 4-1100 and cashiers as directed in I TFM 4-3000. Field CFOs or equivalents are

responsible for monitoring all delegations of authority to ensure they are current and for initiating required changes on a timely basis.

(2) Advance Decisions.

(a) Effective on the date of enactment, section 204 of the Government Accountability Office Act of 1996 (GAO Act of 1996), Public Law 104-316, 110 Stat. 3826, 3845-46, October 19, 1996, amended the Comptroller General's authority under 31 U.S.C. section 3529 to issue advance decisions with respect to the functions transferred to OMB by section 211 of Public Law 104-53, supra. Section 204 transferred the authority to issue advance decisions with respect to the claims settlement functions transferred by section 211 to the Director of OMB or to the head of the agency to which the function was delegated. The Comptroller General, however, retains the authority under 31 U.S.C. section 3529 to issue decisions to disbursing or certifying officers and heads of agencies on matters involving the use of appropriated funds that do not specifically involve settling a claim or the other functions transferred to OMB. (Comp Gen B-275605, March 17, 1997)

(b) Accountable Officers and other Departmental employees may apply for and obtain from the appropriate legal counsel an opinion on the legality of any obligation or claim presented to them for approval, certification or payment. Accountable Officers and other Departmental employees at Headquarters and field employees who do not have direct access to Department lawyers serving as program counsel may seek such an opinion from DOE's Office of the General Counsel (specifically the Office of the Assistant General Counsel for General Law). Employees of the NNSA may seek such an opinion from the General Counsel of NNSA.

The Department will not seek to recover a payment from an official if that official has obtained from his or her appropriate Department legal counsel an opinion advising that the payment could legally be made, or if the circumstances otherwise do not warrant bringing suit against such official.

(3) Authority to grant relief. The Comptroller General retains the authority under 31 U.S.C. sections 3527 and 3528, to grant relief to disbursing and certifying officers. (Comp Gen B-275605, March 17, 1997)

c. Definitions.

(1) Accelerated Payment means a payment made prior to the due date. (See paragraph 3f(5)).

(2) Acceptance means an acknowledgement by an authorized DOE official that goods received and services rendered, conform with the contract requirements. Acceptance also applies to partial deliveries.

(3) Applicable interest rate means the interest rate established by the Secretary of the Treasury for interest payments under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611), which is in effect on the day after the due date, except where the interest penalty is prescribed by other governmental authority (e.g., utility tariffs). The rate established under the Contract Disputes Act is referred to as the "Renegotiation Board Interest Rate," and is published semiannually by the Fiscal Service, Department of Treasury, in the Federal Register on or about January 1 and July 1. The rate is available on the Treasury website at www.fms.treas.gov.

(4) Automated Clearing House (ACH) means a network that performs interbank clearing of electronic debit and credit entries for participating financial institutions.

(5) Banking Information means information necessary to facilitate an EFT payment, including the vendor's bank account number and the vendor financial institution's routing number.

(6) Contract means any enforceable agreement, including rental and lease agreements, purchase orders, delivery orders (including obligations under Federal Supply Schedule contracts), requirements-type (open-ended) service contracts, and blanket purchases agreements between DOE and a vendor for the acquisition of goods or services and agreements entered into under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.). Contracts must meet the requirements of the Prompt Payment regulations at 5 CFR 1315.9(a).

(7) Contract financing payments means an authorized disbursement of monies prior to acceptance of goods or services including advance payments, progress payments based on cost, progress payments (other than under construction contracts) based on a percentage or stage of completion, payments on performance-based contracts and interim payments on cost-type contracts (other than under cost-reimbursement contracts for the acquisition of services). Contract financing payments do not include invoice payments, payments for partial deliveries, or lease and rental payments. Contract financing payments also do not

include progress payments under construction contracts based on a percentage or stage of completion and interim payments under cost-reimbursement service contracts. Interim payments under cost-reimbursement service contracts are treated as invoice payments and subject to the requirements of this chapter, except for provisions related to receipt and acceptance as noted in 5 CFR sections 1315.4 (d) and (e), and 1315.9(b)(1) and (c).

(8) Contracting Office means any entity issuing a contract or purchase order, or issuing a contract modification or termination.

(9) Contractor (see Vendor).

(10) Day means a calendar day including weekend and holiday, unless otherwise indicated.

(11) Delivery Ticket means a vendor document supplied at the time of delivery, which indicates the items delivered, and can serve as a proper invoice based on contractual agreement.

(12) Designated Office means the office designated by the purchase order, agreement, or contract to first receive and review invoices. This office can be contractually designated as the receiving entity. This office may be different from the office issuing the payment.

(13) Discount means an invoice payment reduction offered by the vendor for early payment.

(14) Discount Date means the date by which a specified invoice payment reduction, or a discount, can be taken.

(15) Due Date means the date on which Federal payment should be made. Determination of such dates is discussed in paragraph 3.h.

(16) Electronic Commerce means the end-to-end electronic exchange of business information using electronic data interchange, electronic mail, electronic bulletin boards, EFT and similar technologies.

(17) Electronic Data Interchange means the computer-to-computer exchange of routine business information in a standard format. The standard formats are developed and maintained by the Accredited Standards Committee of the American National Standards Institute, 11 West 42nd Street, New York, NY 10036.

(18) Electronic Funds Transfer (EFT) means any transfer of funds, other than a transaction originated by cash, check, or similar paper

instrument that is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes, but is not limited to, Automated Clearing House and Fedwire transfers.

(19) Emergency Payment means a payment made under an emergency defined as a hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mud slide, snowstorm, drought, fire, explosion, or other catastrophe which requires Federal emergency assistance to supplement State and local efforts to save lives and property, and ensure public health and safety; and the release or threatened release of hazardous substances.

(20) Evaluated Receipts means contractually designated use of the acceptance document and the contract as the basis for payment without requiring a separate invoice.

(21) Fast Payment means a payment procedure under the Federal Acquisition Regulation at Part 13, which allows payment under limited conditions to a vendor prior to the Government's verification that supplies have been received and accepted.

(22) Federal Acquisition Regulation (FAR) means the regulation (48 CFR Chapter 1) that governs most Federal acquisition and related payment issues and the DOE regulation (48 CFR, Chapter 9, parts 900-970) describing unique DOE acquisition regulations.

(23) Government-wide Commercial Purchase Cards means internationally-accepted purchase cards available to all Federal agencies under a General Services Administration contract for the purpose of making simplified acquisitions up to the threshold set by the Federal Acquisition Regulation or for travel expenses or payment, for purchases of fuel, or other purposes as authorized by the contract.

(24) Invoice means a bill, written document or electronic transmission, provided by a vendor requesting payment for property received or services rendered. A proper invoice must meet the requirements of paragraph 3f(3). The term invoice can include receiving reports and delivery tickets when contractually designated as invoices.

(25) Payment Date means the date on which a check for payment is dated or the date of an EFT payment (settlement date).

(26) Rebate means a monetary incentive offered to the Government by Government-wide commercial purchase card issuers to pay purchase card invoices early.

(27) Receiving Office means the entity, which physically receives the goods or services, and may be separate from the accepting entity.

(28) Receiving Report means written or electronic evidence of receipt of goods or services by a Government official. Receiving reports must meet the requirements of paragraph 3f(3).

Proper Invoice means written or electronic evidence of receipt of goods or services by a Government official. Proper Invoice must meet the requirements of paragraph 3f(3).

(29) Recurring Payments means payments for services of a recurring nature, such as rents, building maintenance, transportation services, parking, leases, and maintenance for equipment, pagers and cellular phones, etc., which are performed under DOE-vendor agreements providing for payments of definite amounts at fixed periodic intervals.

(30) Settlement Date means the date on which an EFT payment is credited to the vendor's financial institution.

(31) Taxpayer Identifying Number (TIN) means the nine digit Employer Identifying Number or Social Security Number as defined in Section 6109 of the Internal Revenue Code of 1986 (26 U.S.C. 6109).

(32) Utilities and Telephones mean electricity, water, sewage services, telephone services, and natural gas. Utilities can be regulated, unregulated, or under contract.

(33) Vendor means any person, organization, or business concern engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor (including State and local governments and foreign entities and foreign governments, but excluding Federal entities).

d. **Prompt Payment Requirements.** Refer to 5 CFR Part 1315, Prompt Payment, Final Rule published by Office of Management and Budget (OMB), and I TFM 6-8000 and 4-2000 for complete Prompt Payment Requirements. See paragraphs 15b and 16 for prompt payment reporting and quality control programs.

e. **Erroneous Payments.** The "Improper Payments Information Act of 2002" requires DOE to review all programs and activities that it administers, estimate the amount of improper payments, and report actions being taken to reduce improper payments. Field CFOs or equivalents for the EFASC-Oak Ridge Payment Center and PMAs are required to review activities and provide information on erroneous payments based on guidance issued by the CFO.

f. **Required Payment Documentation.** To ensure that payments are properly authorized and correct, the following documents are usually required: a contract, an invoice, and a receiving report or equivalent. Refer to 5 CFR Part 1315.9 Prompt Payment, Final Rule for guidance on the requirements for proper contracts, invoices, and receiving reports.

(1) **Services from Regulated Utilities.** Each payment must be based on a valid contract, purchase order, or similar contractual document. If a utility's rates have been fixed or adjusted by Federal, State, or other regulatory bodies, it is not necessary to have a contract to make payments to a public utility, regardless of the amount or the number of payments to be made, unless a contract is in the best interest of DOE. A public utility service is not required to furnish rate schedules if it supplies unit rates or if the invoices or bills from the utility show the total amount of the services furnished, the unit rates charged for the services, and the total amount charged. This does not preclude the use of a DOE contract when the utility company requires an agreement or contract for the furnishing of services.

(2) **Contracts.** The following information from the contract is required as payment documentation:

(a) Payment due date(s) as defined in paragraph 3h;

(b) A notation in the contract that partial payments are prohibited, if applicable;

(c) For construction contracts, specific payment due dates for approved progress payments or milestone payments for completed phases, increments, or segments of the project;

(d) Where considered appropriate by DOE, the specified acceptance period following delivery to inspect and/or test goods furnished or to evaluate services performed is stated;

(e) Name (where practicable), title, telephone number, and complete mailing address of officials of the DOE's designated office, and of the vendor receiving the payments;

(f) Reference to requirements under the Prompt Payment Act, including the payment of interest penalties on late invoice payments (including progress payments under construction contracts);

(g) Reference requirements under the Debt Collection Improvement Act (Pub. L. 104-134, 110 Stat. 1321), including the requirement that payments must be made electronically except in situations where the EFT requirements is waived under 31 CFR 208.4. Where electronic payment is required, the contract will stipulate that banking information must be submitted no later than the first request for payment.

(3) **Proper Invoice.** Any media which produce tangible recordings of information in lieu of "written" or "original" paper document equivalents should be used by offices to expedite the payment process, rather than delaying the process by requiring "original" paper documents. Adequate systems of internal controls shall be provided to ensure that no duplicate payments can occur under this procedure. Invoices sent to DOE should be prepared in accordance with the terms and conditions of the contract or purchase order. Except for interim payment requests under cost-reimbursement service contracts, which are covered below, the following correct information constitutes a proper invoice and is required as payment documentation:

(a) Name of vendor;

(b) Invoice date;

(c) Government contract number, or other authorization for delivery of goods or services;

(d) Vendor invoice number, account number, and/or any other identifying number agreed to by contract;

(e) Description (including, for example, contract line/subline number), price, and quantity of goods and services rendered;

(f) Shipping and payment terms (unless mutually agreed that this information is only required in the contract);

(g) Taxpayer Identifying Number (TIN);

(h) Banking information;

(i) Contact name (where practicable), title and telephone number;

(j) Other substantiating documentation or information required by the contract.

(4) For interim payment requests under cost-reimbursement service contracts, the following information from receiving reports, delivery tickets, and evaluated receipts is required as payment documentation:

(a) Name of vendor;

(b) Contract or other authorization number;

(c) Description of goods or services;

(d) Quantities received, if applicable;

(e) Date(s) goods were delivered or services were provided;

(f) Date(s) goods or services were accepted;

(g) Signature (or electronic alternative when supported by appropriate internal controls), printed name, telephone number, mailing address of the receiving official.

(5) Accelerated Payment Methods. Payments may be made under the accelerated payment method for:

(a) A single invoice under $2,500. Payments may be made as soon as the contract, proper invoice, receipt and acceptance documents are matched except where statutory authority prescribes otherwise and except where otherwise contractually stipulated (e.g., government-wide commercial purchase card). Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.

(b) Small Business (as defined in FAR 19.001 (48 CFR 19.001)). Offices may pay a small business as quickly as possible, when all proper documentation, including acceptance, is received in the payment office and before the payment due date. Such payments are not subject to payment restrictions stated elsewhere in this part. Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.

(c) Emergency payments. Payments related to emergencies and disasters (as defined in the Robert T. Stafford Disaster Relief Act and Emergency Assistance, Pub. L. 93-288), as amended (42 U.S.C. 5 121 et. seq.); payments related to the release or threatened release of hazardous substances (as defined in the Comprehensive Environmental Response Compensation and Liability Act of 1980, Pub. L. 96-510, 42 U.S.C. 9606); and payments made under a military contingency (as defined in 10 U.S.C. 101(a)(13)) may be made as soon as the contract, proper invoice, receipt and acceptance documents or any other agreements are matched. Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.

(d) Interim payments under cost-reimbursement contracts for services. For interim payments under cost-reimbursement service contracts, offices may make payments earlier than seven days prior to the payment due date with prior approval of the CFO or Field CFO or equivalent.

(6) Payment without evidence that supplies have been received (Fast Payment).

(a) In limited situations, payment may be made without evidence that supplies have been received. Instead, a contractor certification that supplies have been shipped may be used as the basis for authorizing payment. Payment may be made within 15 days after the date of receipt of the invoice. This payment procedure may be employed only when all of the following conditions are present:

1. Individual orders do not exceed $25,000 (except where the CFO permits a higher amount on a case-by-case basis);

2. Deliveries of supplies are to occur where there is both a geographical separation and a lack of

adequate communications facilities between Governments receiving and disbursing activities that make it impracticable to make timely payments based on evidence of Federal acceptance;

3. Title to supplies will vest in the Government upon delivery to a post office or common carrier for mailing or shipment to destination or upon receipt by the Government if the shipment is by means other than the Postal Service or a common carrier; and

4. The contractor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to purchase requirements.

(b) DOE shall promptly inspect and accept supplies acquired under these procedures and shall ensure that receiving reports and payment documents are matched and steps are taken to correct discrepancies.

(c) DOE shall ensure that specific internal controls are in place to assure that supplies paid for are received.

(d) As authorized by the 1988 Amendment to the Prompt Payment Act (Section 11(b)(1)(c)), a contract clause at 48 CFR 52.213-1 is provided in the Federal Acquisition Regulations (FAR) at 48CFR part 13, subpart 13.4" Fast Payment Procedure," for use when using this fast payment procedure.

(7) Negative Confirmation Approval Process. GAO Comp. Gen. B-276232 (Payment Processing: "Negative Confirmation" of Receipt) granted DOE approval to use a payment method that combines Fast Pay with statistical sampling. Under this process, the paying office would process and certify payment without obtaining notification of receipt and acceptance from the designated invoice-approving official for purchase order awards less than or equal to $25,000. The invoice-approving officials would continue to be responsible for documenting and ensuring receipt and acceptance of each invoice. The negative confirmation procedure would require invoice-approving officials to notify the paying office only if payment should not be made, or if a payment modification is necessary. However, notification should occur if goods and/or services are not received or accepted, or description, quantities, and invoice total cost do not match those on the purchase orders.

Negative confirmation should not be used for: invoices submitted under purchase orders with a cumulative estimated award value over $25,000; contract invoices; and invoices where the risks of recovering overpayments exceed established thresholds (such as those from poor-risk vendors and vendors doing business with DOE for the first time).

g. Processing Invoices for Payment.

(1) Actions Required Prior to Payment. The prepayment actions specified below must take place with as little delay as possible. Proper procedures will ensure that payment officials have a valid contract that contains the required accounting data; all applicable amendments, with appropriate accounting data; and evidence that property or services have been received, inspected, and accepted or that the contracting officer or designee has approved the invoiced amount for payment.

(a) Receipt of invoice. The invoice shall be stamped with the date it is received in the designated office and recorded as received. DOE may designate another agency or cognizant another agency or cognizant audit agency to receive contract invoices and may delegate to that agency the authority to approve for payment some invoices for cost reimbursement contracts. Such agencies must date the invoices or public vouchers to show when they were received. The date represents constructive receipt by DOE and is the date that should be used in timing payments. For the purposes of determining a payment due date and the date on which interest will begin to accrue if a payment is late, an invoice shall be deemed to be received:

1. On the later of:

a. For invoices that are mailed, the date a proper invoice is actually received by the designated office if the office annotates the invoice with date of receipt at the time of receipt. For invoices electronically transmitted, the date a readable transmission is received by the designated DOE office, or the next business day if received after normal business hours; or

b. The seventh day after the date on which the property is actually delivered or performance of the services is actually completed; unless–

i. DOE has actually accepted the property or services before the seventh day in which case the acceptance date shall substitute for the seventh day after the delivery date; or

ii. A longer acceptance period is specified in the contract, in which case the date of actual acceptance or the date on which such longer acceptance period ends shall for substitute for the seventh day after the delivery date;

2. On the date placed on the invoice by the contractor, when the office fails to annotate the invoice with date of receipt of the invoice at the time of receipt (such invoice must be a proper invoice); or

3. On the date of delivery, when the contract specifies that the delivery ticket may serve as an invoice.

(b) DOE officials authorized to approve receiving reports must forward the approved documents to the appropriate DOE Field CFO or equivalent for the EFASC-Oak Ridge Payment Center and PMAs, for payment processing sufficiently in advance of the payment deadline so that documentation can be reviewed and contractors notified of any problems detected before penalties must be added to the amounts payable. Invoices of $25,000 or less may be processed for payment based on a negative confirmation of receipt if appropriate controls are in place to prohibit improper and excess payments. Use of a negative confirmation of receipt methodology requires prior written approval from the Departmental CFO. See paragraph 3f(5) for Accelerated payment information.

(c) When an invoice is determined to be improper, the office shall return the invoice to the vendor as soon as practicable after receipt, but no later than 7 days after receipt. For defective invoices, the notice may be given orally and confirmed in writing. Local procedures shall stipulate who is responsible for providing this notification. The office will identify all defects that prevent payment and specify all reasons why the invoice is not proper and why it is

being returned. This notification to the vendor shall include a request for a corrected invoice, to be clearly marked as such.

(d) Any media which produce tangible recordings of information in lieu of "written" or "original" paper document equivalents should be used by offices to expedite the payment process, rather than delaying the process by requiring "original" paper documents. Offices should ensure adequate safeguards and controls to ensure the integrity of the data and to prevent duplicate processing.

(2) Prepayment Examination by Statistical Sampling. Field CFOs or equivalents for the EFASC-Oak Ridge Payment Center and PMAs have the primary responsibility for establishing a sampling plan consistent with the GAO Policies and Procedures Manual; Title 7, Fiscal Matters; Appendix III, "Use of Statistical Sampling Procedures in Examination of Vouchers for Payment."

(3) Request for Process Payments under Construction Contracts. Payment standards and required documentation for making progress payments under construction contracts are contained in OMB Prompt Payment regulations pub at 5 CFR 1315.14.

(4) Postpayment Verification by Statistical Sampling. Quarterly, each DOE paying office will conduct a postpayment verification on a statistical sampling basis to verify the acceptance of goods or services for those payments that were processed under the negative confirmation approval procedure. A statistical sampling of all invoices paid from the negative confirmation procedure would be selected from the universe of all such payments to verify that the process is operating as intended. For each item selected in the sampling, the paying office would request evidence of receipt and acceptance from the applicable approving official. The paying office would compare the items listed on the related purchase orders, invoices, and receiving evidence to ensure that the type of goods and/or services received was ordered and that quantities, costs, and math are accurate, complete, and proper. DOE has set the tolerable threshold for errors at 5 percent of the number of invoices subject to negative confirmation. If the projected error rate exceeds this tolerance limit, the negative confirmation procedures would be adjusted to ensure that the rates do not breach the established thresholds (GAO Report GAO/AIMD-97-77R Payment Processing (Energy), April 24, 1997).

h. Timing of Payment.

(1) Payment Due Date. Payment may be made no more than 7 days before the payment due date, unless the CFO or Field CFO or equivalent has determined, on a case-by-case basis for specific payments, that earlier payment is necessary. This authority must be used cautiously, weighing the benefits of making a payment early against the good stewardship inherent in effective cash management practices. An office may use the "accelerated payment methods" in paragraph 3f(5) when it determines that such earlier payment is necessary. Unless otherwise specified, the payment is due either:

(a) On the date(s) specified in the contract;

(b) In accordance with discount terms when discounts are offered and taken (paragraph 3i);

(c) In accordance with Accelerated Payment Methods (paragraph 3f(5));

(d) 30 days after the start of the payment period if not specified in the contract, if discounts are not taken, and if accelerated payment methods are not used; or 30 days after the date of receipt of a proper invoice for interim payments under cost-reimbursement contracts for services.

When an office fails to make notification of an improper invoice within seven days according to paragraph 3g(1)(c) of this section, the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days between the seventh day and the day notification was transmitted to the vendor. Calculation of interest penalties, if any, will be based on an adjusted due date reflecting the reduced number of days allowable for payment.

(2) Receipt and Acceptance of Property and Services. When a receiving report is used, it must be received by the paying office from the approving official within 5 business days of acceptance of the property or services unless other arrangements are made. If a contract does not specify a period to accept property or services, the acceptance period shall be no more than 7 business days after delivery of property or services, although acceptance may occur sooner. Receiving reports and invoices will be stamped or otherwise annotated with the date upon receipt by the payment

office. This requirement does not apply to interim payments on cost-reimbursement service contracts. The approving official must ensure that the invoice contains the data necessary for prompt payment processing; for example, the contract or other identifying number and a breakdown of billed costs by budget and reporting code. If property or services have not been received or if the terms of the contract have not been met, the designated approving official shall notify the procurement and payment offices immediately of the problems and the corrective actions that have been initiated.

(3) Transportation Payments. Payment for transportation of persons or property for or on behalf of the United States by a carrier or forwarder shall be made within 30 days after receipt of bills by the designated billing office (that is, the office designated in the contract or purchase order to receive invoices). Transportation bills may be paid before the General Services Administration (GSA) performs the rate audit.

(4) Payment Date. Payment will be considered to be made on the settlement date for an EFT payment or the date of the check for a check payment. Payments falling due on a weekend or federal holiday may be on the following business day without incurring late payment interest penalties.

(5) Payments for Partial Deliveries. Offices shall pay for partial delivery of supplies or partial performance of services after acceptance, unless specifically prohibited by the contract and supporting documentation. Payment is contingent upon submission of a proper invoice if required by the contract.

i. Discounts.

(1) References. Refer to 5 CFR Parts 1315 Prompt Payment, Final Rule and I TFM 6-8000. The FMS website at www.fms.treas.gov provides an on-line calculator for determining if a discount is cost-effective. Also, see Attachment 6-1 for determination of cost-effective discounts and Attachment 6-2 for determination of interest penalty when an improper discount has been taken. Offices shall follow these procedures in taking discounts and determining the payment due dates when discounts are taken:

(a) Economically Justified Discounts. If an office is offered a discount by a vendor, whether stipulated in the contract or offered on an invoice, the office may take the discount if economically justified but only after acceptance has occurred. Offices are encouraged to include discount terms

in a contract to give offices adequate time to take the discount if it is determined to be economically justified.

(b) Discounts Taken after the Discount Date. If an office takes the discount after the deadline, the office shall pay an interest penalty on any amount remaining unpaid as prescribed in paragraph 3k(8).

(c) Payment Date. When a discount is taken, payment will be made as close as possible to, but no later than, the discount date.

(d) Start Date. The period for taking the discount is calculated from the date placed on the proper invoice by the vendor. If there is no invoice by the vendor, the discount period will begin on the date a proper invoice is actually received and date stamped or otherwise annotated by the designated DOE office.

(2) Accounting for Lost Discounts. Economically advantageous purchase discounts that are lost shall be charged to the same object class, and budget and reporting classification as the original contract or purchase order. Discounts lost for contracts or purchase orders funded by multiple budgets and reporting classifications or appropriations should be prorated in proportion to the costs of goods and services acquired. Lost discounts related to plant and equipment acquisitions shall immediately be written off to cost of operations.

j. **Rebates.** Offices shall determine government-wide commercial purchase card payment dates based on an analysis of the total costs and total benefits to the Federal government as a whole, unless specified in a contract. When calculating costs and benefits, offices are expected to include the cost to the government of paying early. This cost is the interest the government would have earned, at the Current Value of Funds Rate, for each day that payment was not made. Offices may factor in benefits gained from paying early due to, for example, streamlining the payment process or other efficiencies. A rebate formula is provided at the Treasury Prompt Payment website at www.fms.treas.gov/prompt/.

k. **Penalties.** Refer to 5 CFR Part 1315 Prompt Payment, Final Rule and I TFM 6-8000. The FMS website at www.fms.treas.gov provides an on-line calculator for determining late payment penalties. Also, see Attachment 6-2 for determination of late payment interest penalties. The following are DOE requirements for penalties:

(1) Grace Period. No grace period will be used regardless of the date of the contract award or modification.

(2) General. Pay interest penalties out of funds made available for the procurement of property or services delivered. Penalties shall be charged to the same object class, and budget and reporting classification as the original contract or purchase order. Prorate penalties for contracts or purchase orders funded by more than one budget and reporting classification or appropriation. Penalties related to plant and equipment acquisitions shall immediately be written off to cost of operations. Interest penalties are subject to fund limitation, and fund availability must be assured. The Prompt Payment Act does not authorize the appropriation of additional amounts to pay penalties. See Attachment 6-3 for sample notification to a program official that a penalty has been charged to the program.

(3) Application and Calculation. Interest penalties are due on payments made after the payment due date for amounts retained during contract performance and released after completion of the contract. This applies to all types of contracts not excluded by paragraph 3k(9) when complete delivery and acceptance have occurred. Offices will use the following procedures in calculating interest due on late payments:

(a) Interest will be calculated from the day after the payment due date through the payment date at the interest rate in effect on the day after the payment due date;

(b) Adjustments will be made for errors in calculating interest;

(c) For up to one year, interest penalties remaining unpaid at the end of any 30 day period will be added to the principal and subsequent interest penalties will accrue on that amount until paid;

(d) When an interest penalty is owed and not paid, interest will accrue on the unpaid amount until paid, except as described in the following paragraph;

(e) Interest penalties under the Prompt Payment Act will not continue to accrue:

1. After the filing of a claim for such penalties under the Contract Disputes Act of 1978 (41 U.S.C. 601 et seq.); or

2. For more than one year;

(f) When an office takes a discount after the discount date, interest will be paid on the amount of the discount taken. Interest will be calculated for the period beginning the day after the specified discount date through the date of payment of the discount erroneously taken;

(g) Interest penalties of less than $1.00 need not be paid;

(h) If the banking information supplied by the vendor is incorrect, interest under this regulation will not accrue until seven days after such correct information is received (provided that the vendor has been given notice of the incorrect banking information within seven days after DOE is notified that the information is incorrect);

(i) Interest calculations are to be based on a 360 day year; and

(j) The applicable interest rate may be obtained on the Treasury Prompt Payment website at www.fms.treas.gov/prompt/ or by calling the Treasury's FMS Prompt Payment help line at 1-800-266-9667.

(4) Payment. Offices will meet the following requirements in paying interest penalties:

(a) Interest may be paid only after acceptance has occurred;

(b) Late payment interest penalties shall be paid without regard to whether the vendor has requested payment of such penalty, and shall be accompanied by a notice stating the amount of the interest penalty, the number of days late and the rate used;

(c) The invoice number or other agreed upon transaction reference number assigned by the vendor should be included in the notice to assist the vendor in reconciling the payment. Additionally, it is optional as to whether or not an office includes the contract number in the notice to the vendor;

(d) The temporary unavailability of funds does not relieve an office from the obligation to pay these interest penalties or the additional penalties required under paragraph 3k(7).

(5) Payment of Interest Penalties under Construction Contracts. Interest penalties shall be paid as required by the contract's specified payment terms and conditions. If no payment terms are specified in the contract, penalties shall be paid as required by the Prompt Payment Act, as amended, regardless of the date of contract award or modification. (See 5 CFR 1315.14)

(6) Payment of Interest Penalty on an Improper Invoice Returned Late to the Vendor. When DOE fails to make notification of an improper invoice within seven days, calculation of interest penalties, if any, will be based on an adjusted due date reflecting the reduced number of days allowable for payment.

(7) Additional Interest Penalties. A vendor shall be entitled to an additional penalty payment when the vendor is owed a late payment interest penalty of $1.00 or more, if it:

(a) Receives a payment dated after the payment due date which does not include the interest penalty also due to the vendor;

(b) Is not paid the interest penalty by DOE within 10 days after the actual payment date; and

(c) Makes a written request that DOE pay such an additional penalty. Such request must be postmarked, received by facsimile, or by electronic mail, by the 40th day after payment was made. If there is no postmark or if it is illegible, the request will be valid if it is received and annotated with the date of receipt by DOE by the 40th day. The written request must include the following:

1. Specific assertion that late payment interest is due for a specific invoice, and request payment of all overdue late payment interest penalty and such additional penalty as may be required; and

2. A copy of the invoice on which late payment interest was due but not paid and a statement that the principal has been received, and the date of receipt of the principal.

(d) Maximum Penalty. The additional penalty shall be equal to one hundred (100) percent of the original late payment interest penalty but must not exceed $5,000.

(e) Minimum Penalty. Regardless of the amount of the late payment interest penalty, the additional penalty paid shall not be less than $25. No additional penalty is owed, however, if the amount of the interest penalty is less than $1.00.

(f) Penalty Basis. The penalty is based on individual invoices. Where payments are consolidated for disbursing purposes, the penalty determinations shall be made separately for each invoice therein.

(g) The additional penalty does not apply to the payment of utility bills where late payment penalties for these bills are determined through the tariff rate-setting process.

(8) Payment of Interest Penalty When an Improper Discount Has Been Taken. Interest will be calculated for the period beginning the day after specified discount date through the date of payment of the discount erroneously taken.

(9) Payments Not Subject to Penalties. The following payments are not subject to penalties:

(a) Progress payments based on a percentage or stage of completion (other than construction).

(b) Advance payments.

(c) Payments made solely for financing purposes.

(d) Contracts for utilities (gas, water, electricity), or informal contracts for the purchase of utilities that include provisions for late-payment charges established by tariff or state regulatory commissions.

(e) Payments on which the interest penalty would be less than $1.00.

(f) Payments made to recipients of grants or Federal assistance.

(g) Payments to Federal employees (for travel reimbursement payments to Federal employees see Federal Travel Regulations at 41 CFR 301.71.209-214).

(h) Payments to Federal agencies.

(i) EFT payments not credited to the vendor's account by the payment due date because of the failure of the Federal Reserve or the vendor's bank to do so.

(j) Payments of amounts withheld or deducted from invoices by the contracting officer, approving official, or Field CFO or equivalent, in accordance with contract terms. (Penalties are not applicable before the amounts withheld are released. Once the contract is completed and the amounts withheld are released, interest penalties apply).

(k) Payments delayed because of disagreement over the amount of payment or other issues concerning compliance with the contract.

4. CONTRACT FINANCING PAYMENTS.

a. Due Date. The due date for making contract financing payments by the designated payment office will be the 30th day after the designated billing office has received a proper contract financing request unless the terms of the contract specify another time period. If an audit or other review of a specific financing request is required to ensure compliance with the terms and conditions of the contract, the designated payment office is not compelled to make payment by the due date specified or to pay interest as specified in the Prompt Payment Act (31 U.S.C. 39).

b. Nonrecurring Contract Financing Requests. For advance payments, loans, or other arrangements that do not involve recurrent submission of contract financing requests, payment shall be made in accordance with the applicable contract financing terms or as directed by the contracting officer.

c. Proper Contract Financing Request. A proper contract financing request must comply with the terms and conditions specified by contract financing clauses or other authorizing terms. The contractor shall correct any defects in requests submitted in the manner specified in the contract or as directed by the contracting officer.

d. **Annotation.** The designated billing office and designated payment office shall annotate each contract financing request with the date that the proper request was received by their respective office.

5. PAYMENTS UNDER FINANCIAL ASSISTANCE INSTRUMENTS.

a. **General.** The Department shall select the payment method under a grant or subgrant with the objective of minimizing the time between the transfer of funds from Treasury and their disbursement by the grantee or subgrantee for grant or subgrant purposes. See paragraph 8 of this chapter on the use of Treasury's Automated Standard Application for Payment System (ASAP); Chapter 7, "Advances, Prepaid Expenses, and Other Asset," for information on advances; Chapter 14, "Grants and Cooperative Agreements," for information on grants; and 10 CFR 600 and 605 for information on assistance regulations.

b. **Prompt Payment Act Exemption.** Financial assistance instruments are not subject to the Prompt Payment Act. Recipients of Federal assistance may pay interest penalties if so specified in their contracts with contractors. However, obligations to pay such interest penalties will not be obligations of DOE, and DOE funds may not be used for this purpose.

6. CASH ADVANCES.

a. **Determining Amounts.** Field CFOs or equivalents share the responsibility for monitoring all advances with cognizant procurement and program officials. Funds advanced to others must be kept to the minimum amount necessary to meet the immediate cash-flow needs of DOE's portion of the liabilities. Cash advances to others should not exceed 2 business days' requirements. Cash needs shall be determined by the contractor's or recipient's cash outlay requirements and shall not be based on costs incurred.

b. **Monitoring.** Financial reports required by the terms and conditions of a contract shall be used to monitor advances to the contractor's cash position. Documents used to monitor the cash position of a recipient of a financial assistance award include SF-269, "Financial Status Report ", SF-272 and SF-272A, "Federal Cash Transactions Report"; SF-271, "Outlay Report and Request for Reimbursement for Construction Programs"; and any other report of a recipient's financial activity that may be required for effective cash management. The contractor's cost reports shall be compared to the advance financing activity and balance of Federal cash on hand periodically, but not less frequently than each quarter. These reviews are done to ensure that the recipient organization, that is, the contractor or recipient, is requesting in accordance with the terms of the contract, if applicable, and is receiving funds as close as is administratively feasible to the actual

disbursements by the recipient organization. If the recipient organization fails to demonstrate adequate procedures to time requests for funds based on actual cash needs, then the ASAP account or other advance financing arrangement shall be terminated.

c. **Refunding.** If funds are erroneously requested in excess of a recipient organization's immediate disbursement needs, the excess funds should be promptly refunded and reissued when needed. The only exceptions to the requirement for prompt refunding are if the funds involved will be disbursed by the recipient organization within 2 business days or when they are less than $10,000. These exceptions to the requirement for prompt refunding should not be construed by the recipient as approval by Treasury or DOE for a recipient organization to maintain excessive funds. These exceptions are applicable only to excessive amounts of funds that are requested erroneously.

d. **Interest Income.**

(1) The Cash Management Improvement Act of 1990, as amended, was enacted to minimize the time elapsing between the transfer of Federal funds to a state and the state's payout of those funds for program purposes. Annually, each state must submit a report to the Treasury on the amount of interest due to or from the Federal Government. The program agencies review the states' reports for reasonableness and accuracy and report their findings back to Treasury, which will pay or collect the interest due.

(2) For other recipients of Federal funds, any interest earned must be promptly refunded unless the recipient is authorized by law to keep it. Additionally, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, specifies that recipients shall maintain advances of Federal funds in interest-bearing accounts. Interest earned on these accounts shall be remitted at least quarterly to DOE. Up to $250 of the interest earned per year for Institutions of Higher Education, Hospitals and Other Nonprofit Organizations, and $100 of the interest earned per year for State and Local Governments may be retained by the recipient to cover administrative expenses.

e. **Termination.** The advance funding arrangement shall be revoked, and any unused advance returned, when either the contract expires or the work is completed.

7. PAYMENTS CLEARED FUNDING.

a. General. Within the Department, payments cleared funding is used for financing site/facility management contractors and other major contractors. Contractors authorizing the use of payments cleared funding shall be in compliance with the requirements of DOE Acquisition Regulation (DEAR), subpart 970.32, "Contract Financing." Cash withdrawals by this method are determined by the total of contractor-issued payments that clear for payment by the servicing financial institution. The financial institution must be able to access the Federal Reserve Fedwire System to make online requests for funds. Special financial institution account agreement with DOE, the contractor, and the financial institution is required. Instructions for the solicitation of banking services are contained in Attachments 6-4 and 6-5. Detailed requirements for servicing the contractor on a payments cleared funding basis using Treasury's ASAP 1031 system are contained in the Treasury Financial Manual, Volume 1, Part 6.

b. New Payments Cleared Funding Accounts. All new payments cleared funding accounts set up in ASAP 1031 require prior notice to the Treasury ASAP 1031 project office. Notification of a new payments cleared account shall be submitted to the Director, Office of Financial Policy, and one month prior to the proposed implementation date. If the purpose of the account remains the same but DOE changes the financial institution or the contractor, a notification still must be submitted. Field CFOs or equivalents must submit any necessary enrollment forms to the appropriate Treasury Regional Finance Center.

c. Operations. Drawdowns are delayed until payments issued by the contractor organization clear the financial institution for payment. The amount of the drawdown should be sufficient to maintain the contractor's account balance as close to zero as administratively possible. Subsidiary demand accounts, such as payroll, will not be prefunded but will be included in the drawdown to cover payments cleared against the main account. Contractors will provide a Summary Cash Activity Report for the prior month's account activity to EFASC by 12:00 p.m. local time on the first business day of the succeeding month. The monthly drawdown activity is also reported to EFASC through the contractor interface file. Copies of ASAP 1031 reports shall be retained and used for monthly reconciliation with Treasury. Restoration of the financial institution's reserve account is accomplished on the same day by drawing on the DOE account at the Federal Reserve Bank of Richmond (FRB Richmond). The financial institution is compensated for services performed by submitting an invoice for fees incurred.

d. Required Forms. ASAP 1031 enrollment forms are available from the Treasury FMS. Instructions for completing the required

forms are contained in the "ASAP 1031 Guidelines" that are provided with the forms. The forms require manual signatures by authorized individuals.

e. **Monitoring.** The Field CFO or equivalent shall establish procedures that ensure at least a quarterly review of each payment cleared financing arrangement. At the option of the Field CFO or equivalent and the responsible contracting officer, the review may be performed by the contractor, with a copy of the results provided to the Field CFO or equivalent. At a minimum, the review shall entail an analysis of the account statements to determine whether the accounts are being operated by the financial institution correctly, whether the financial institution is being compensated in accordance with the special financial institution account agreement, and whether the financial institution is maintaining the level of collateral commensurate with the account balances. Overdrafts and excess balances shall be dealt with as detailed below. However, the primary consideration in this process is to ensure that the financial institution is paid for the services performed, that account balances are minimized, and that account balances over the prescribed insurance limit are properly collateralized.

f. **Overdrafts and Excess Drawdowns.** Although drawdowns under a payments cleared financing arrangement are made with the intent of maintaining the cash balance in the recipient's bank account as close to zero as administratively feasible, overdrafts and excess balances may occur. In such cases, the procedures below should be followed:

(1) Overdrafts. On the first business day following an overdraft, the financial institution will drawdown an amount equal to the net sum of the overdraft, offset by any receipts.

(2) Excess Balances. An excess account balance results when a financial institution makes a drawdown from the ASAP 1031 account for more funds than needed to cover the net of the receipts and disbursements for the day in the contractor's account. The financial institution must return the excess balance to FRB Richmond by 5:45 p.m. eastern time. If the financial institution is unable to return the excess by that time on the day of the occurrence, the excess should be used to offset the next day's drawdown, and any remaining excess should be returned to FRB Richmond before 5:45 p.m.

(3) Monthly Adjustments. Monthly, the financial institution calculates the average daily balance for the demand deposit account. The contractor will instruct its financial institution to adjust its

drawdowns during the upcoming month in an amount necessary to offset the average positive or negative balance for the month.

(4) Penalties on Excess Funds. If the financial institution has a pattern of excess drawdowns and fails to correct the problem after written notice from the Department, the financial institution will be assessed interest on all excess balances at the Federal Funds Rate for the month(s), and the special financial institution account agreement will be terminated. The penalty amount shall be credited to account 89X1435, General Fund, Proprietary Interest, Not Otherwise Classified, or to another account specifically authorized by Treasury.

g. **Closeout.** After all outstanding payment items have been cleared or a stop payment order has been issued therefore, the remaining authorized balance in the payments cleared funding account at FRB Richmond must be reduced to zero and the account closed in ASAP 1031.

h. **Reporting Requirements.** Contractors shall record expenditures based on the paid transactions listed in the ASAP 1031 report.

8. AUTOMATED STANDARD APPLICATION FOR PAYMENT (ASAP).

a. **General.** The Treasury's ASAP system provides next-day payment services to grantees (and certain contracts approved for advance funding) via ACH transfer. A special module of the system, ASAP 1031, is utilized under a payments cleared financing arrangement to pay the Department's site/facility management contractors and other major contractors. Payment centers desiring the service must submit enrollment forms and receive training in the use of the system prior to implementation.

b. **Procedure.** The grantee or contractor submits an electronic payment request to the FRB Richmond. FRB Richmond processes the request and sends the payment to the recipient's bank account.

c. **Field Office Responsibilities.** EFASC will provide instructions regarding field office responsibilities for field offices that are part of EFASC. Principal field office responsibilities include the following:

(1) Enrolling the recipients with the Financial Management Service;

(2) Setting up accounts for the recipients in the ASAP system;

(3) Inputting authorizations; and

(4) Reconciling accounting records to ASAP accounts.

9. GOVERNMENT SMALL PURCHASE CHARGE CARDS. Small purchase charge cards are issued to designated DOE and contractor employees for purchases of $25,000 or less. The card bears the employee's name and can be used only by that employee. The card is subject to a single transaction limit, a monthly cardholder limit, and a monthly field office limit established by the field office. Small purchase cards provide significant savings in administrative costs over other methods. The card provider makes reports available to the field offices to assist in controlling abuse of the card by DOE and contractor employees. For further information, refer to I TFM 4-4500.

10. GOVERNMENT TRAVEL CHARGE CARDS. Travel charge cards are issued to DOE employees who travel once or more in a year for charging transportation, subsistence, and other allowable travel and transportation expenses incurred while on official travel. Travelers may use the cards to obtain advances from Automated Teller Machines (ATMs) for out-of-pocket expenses. This eliminates the need for cash advances from the Department. Employees who possess travel charge cards make payments directly to the card provider and the card provider has no recourse against the Department for nonpayment. The card provider makes reports available to the field offices to assist in controlling abuse of the card by DOE employees. For further information, see DOE O 552.1A, "Travel Policy and Procedures" and I TFM 4-3000.

11. FEDSELECT CHECKS. FedSelect checks are Treasury's low-cost alternative to commercial third-party drafts. Their dollar limit is $10,000; a waiver can be granted up to $25,000. The checks are used to replace imprest fund disbursements and for other "on demand" payment needs. Checks issued for routine imprest fund payments remain at the current $2,500 limit. The FedSelect system uses a positive payment process to minimize the potential for fraud. For the information, see I TFM 4-3000.

12. IMPREST FUNDS. Field offices must use all available methods to eliminate imprest fund balances, including EFT payments, Government small purchase charge cards, Government travel charge cards, and FedSelect checks. According to the Imprest Fund Policy Statement issued by Treasury on November 9, 1999, imprest funds may be used only when a payment by EFT is waived in accordance with the provisions of 31 CFR 208, Management of Federal Agency Disbursements, at section 208.4 Waivers; <u>and</u>, one of the following exceptions apply:

(1) Payments involve national security interests, military operations, or national disasters;

(2) Payments are made in furtherance of a law enforcement action;

(3) The amount owed is less than $25;

(4) The political, financial, or communications infrastructure of a foreign country does not support payment by a non-cash mechanism; or

(5) Payments are made in emergencies, or in mission critical circumstances, that are of such an unusual and compelling urgency that the Government would otherwise be seriously injured, unless payment is made by cash.

DOE has direct responsibility for ensuring the proper use of cashier advances and establishing procedures to govern imprest fund activities. Cashier advances are charged to DOE's appropriated funds and thereby bring such advances under DOE and OMB guidelines that control appropriations. Those persons delegated authority to *both* designate certifying officers *and* appoint cashiers via TFS Form 2958, "Delegation of Authority," have automatic authority to establish and terminate imprest funds. All DOE imprest funds operate under 31 U.S.C. 3321 (formerly Executive Order 6166) and the policies and procedures contained in I TFM 4-3000 and the Treasury Manual of Procedures and Instructions for Cashiers.

13. SPECIAL DEPOSIT FUNDS. Special deposit funds are combined receipt and reimbursement accounts established to account for receipts held in suspense temporarily and later refunded or paid into some other fund of the Government, or held by the Government as banker or agent for others and paid out at the direction of the fund custodian for purposes authorized by law. Additional guidance for special deposit funds is found in Chapter 13, "Reimbursable Work, Revenues, and Other Collections."

14. LIMITED PAYABILITY AND CLAIMABILITY. Refer to TFM Bulletin 90-03 and 31 CFR 240.3 for additional information.

a. Payability is the length of time a check can be negotiated to a financial institution. Treasury checks dated on or after 10-1-89 must be negotiated within 1 year from the date of issuance.

b. Claimability is the length of time during which a payee can present a claim of nonreceipt, loss, or theft of a check to an agency.

c. Reclamation is a demand by Treasury for a refund of the amount of a check payment from the presenting bank or other endorser. Title X, Public Law 100-86, reduces the period during which Treasury may reclaim the amount of a check that has been paid over a forged or unauthorized endorsement. Treasury considers the date of payment to be the date on which the Federal Reserve Bank gives provisional credit for the item to the clearing bank.

15. REPORTING.

a. Statement of Transaction (SF-224). Each Field CFO or equivalent shall prepare a monthly SF-224 for each of that office's ALCs to report net disbursements to Treasury. Headquarters EFASC will prepare the SF-224

for field offices that are part of EFASC. Refer to I TFM 2-3300 for specific reporting and reconciling requirements.

b. Prompt Payment Report.

(1) Field CFOs or equivalents shall submit prompt payment reports in the format, and frequency, determined by the CFO. Oak Ridge Field Office will prepare the prompt payment report for offices that are part of EFASC.

(2) Field CFOs or equivalents should use actual data in the reports. However, to minimize the cost of reporting, valid statistical sampling methods may be used to derive the required information for reports. The use of statistical sampling methods must be disclosed.

(3) Field CFOs or equivalents must also comply with reporting and certification as required in I TFM 6-8075.

c. Erroneous Payment Report. Each Field CFO or equivalent shall prepare a report on erroneous payments in the format, and frequency, determined by the CFO. Oak Ridge Field Office will prepare the report for field offices that are part of EFASC.

d. Miscellaneous Income, IRS Form 1099-Misc.

(1) The IRS (26 U.S.C. 6041 and 6041A, as implemented in 26 CFR) requires payors, including Government agencies, to report to the IRS, on Form 1099, payments made to certain contractors. A contractor is required to provide its TIN if a Form 1099-Misc. is required (26 U.S.C. 6109). The IRS instructions mandate minimum reporting criteria. Payment offices may report all vendor payment information for ease of reporting.

(2) The Oak Ridge Field Office will consolidate payment information and forward the 1099-Misc. forms to the contractors and the IRS for DOE.

(3) If the Oak Ridge Field Office is notified by the IRS that a vendor has submitted an incorrect TIN, they will notify the payment office that submitted the incorrect information. The payment office must obtain the correct TIN or begin backup withholding. Detailed information on backup withholding is available in IRS Publication 1282, Backup Withholding for Missing and Incorrect Name/TIN(s). This publication is available on the IRS website (www.irs.treas.gov).

16. PROMPT PAYMENT QUALITY CONTROL PROGRAM.

a. General. The Prompt Payment, Final Rule (5 CFR Part 1315), requires that Federal agencies establish a quality control (QC) program to:

(1) Ensure that payments are made in accordance with 5 CFR Part 1315, Prompt Payment, Final Rule;

(2) Provide a reliable way to estimate payment performance; and

(3) Ensure the integrity of prompt payment reporting.

b. Standards. The following guidelines have been established as standards for the QC program:

(1) QC must be a systematic performance measurement system in place at each payment center.

(2) QC data should provide managers with information about problems and assist in targeting corrective action.

(3) QC data must be accurate within a confidence level of 90 percent, with a precision of plus or minus 10 percent.

(4) Data should be gathered as frequently as needed by the cognizant Field CFO or equivalent to identify and correct errors, but not less frequently than annually (if only annually, gather data at the end of each fiscal year). The annual review shall cover changes in the nature of procurement actions, changing prompt payment requirements, and prior deficiencies are situations requiring more frequent gathering of data. If data are gathered more frequently than annually, for example, quarterly, the data should be gathered based on a valid statistical sample drawn after each quarter of the fiscal year.

(5) QC reviewers must use original documents and repeat original calculations.

(6) When a total review is not possible, data should be gathered on the basis of a statistically valid sample sufficient to assure reliability of QC reviews without unduly burdening finance office resources.

(7) Collection of data must be performed by persons independent of the original payment decision.

(8) Analysis of QC data must result in remedial action targeted to correct objectively determined error causes.

c. Procedures for Performing a QC Review. Field CFOs or equivalents with responsibility for payments shall use the following procedures to perform a QC review:

(1) Reviewers shall:

(a) Select a statistically valid random sample of sufficient size to provide a 90-percent confidence level, plus or minus 10 percent, that sample data are representative of the overall population. The U.S. Army Audit Agency (USAA) statistical sampling program or equivalent will be used to determine the sample size. Copies of the USAA statistical sampling program are available on the USAA website at www.hqda.army.mil/aaaweb/audit.htm or from the Office of Financial Policy (CF-50/GTN). Attachment 6-6 is a checklist of items to be completed.

(b) Gather sample data generated from original documents and repeat original calculations to assess prompt payment performance.

(c) Compare data generated from the sample to system-generated data to determine the accuracy of system-generated data.

(d) Report findings to the Field CFO or equivalent.

(2) Field CFOs or equivalents, shall:

(a) Select persons independent of the original payment decision to perform QC reviews.

(b) Determine the cause of any deficiency in payment performance or error in the system-generated data.

(c) Implement appropriate action to correct any deficiencies or error causes.

(d) When a significant deficiency or error is discovered (for example, the payment due date is routinely based on receipt of invoice only), conduct a follow-up review of data for the quarterly following corrective actions to ensure that the deficiency or error has been eliminated. The follow-up

review shall also be performed on the basis of a valid statistical sample.

(e) Maintain appropriate documentation related to the foregoing activities. Such documentation shall be made available upon request to the CFO or designee.

ATTACHMENT 6-1

DETERMINATION OF COST-EFFECTIVE DISCOUNTS

1. Take a discount only when the discount rate offered is equal to or greater than Treasury's Current Value of Funds Rate (CVFR). FMS provides an on-line calculator on their website www.fms.treas.gov/prompt/ or use the following conversion formula to convert discount terms to the effective annual interest rate, which will be used as a comparison factor against the CVFR:

Conversion Formula:

$$\frac{\text{Discount \%}}{\text{100\% - discount\%}} \times \frac{\text{Days in year (360)}}{\text{No. of days from discount date to due date}} = \text{Effective annual Interest Rate}$$

Example:
Discount terms: ½% (0.005) in 10 days, net 30 days

$$\frac{.005}{1.000-.005} \times \frac{360}{(30 - 10)} = .09 \text{ or } 9\%$$

Conclusion: If the CVFR is 9% or less, the offered discount should be taken.

2. The following table of the more commonly offered discount terms, along with their corresponding effective annual interest rate conversions, may be used as a ready reference guide:

Discount Terms	Effective Annual Rate	Discount Terms	Effective Annual Rate
2/20 net 30	74.5	0.8/10 net 30	14.7
2/10 net 30	37.2	0.7/10 net 30	12.9
1/20 net 30	36.9	0.6/10 net 30	11.0
0.75/10 net 30	13.8	0.55/10 net 30	10.1
1/10 net 30	18.4	0.5/10 net 30	9.2
0.5/20 net 30	18.3	0.2/10 net 30	7.3
0.9/10 net 30	16.6	0.1/20 net 30	3.7
0.85/10 net 30	15.6	0.1/10 net 30	1.8

(This page is intentional blank)

ATTACHMENT 6-2

DETERMINATION OF PROMPT PAYMENT PENALTIES

Calculation of Prompt Payment Interest Penalty

Prompt Payment Interest is calculated from the day after payment was due until the day payment is made. The interest rate in effect on the day after the payment due date is used to calculate the interest penalty. The following FMS website provides penalty calculators and rates:

- http://www.fms.treas.gov/prompt/ppcalc1.html Automatically calculates simple daily interest.
- http://www.fms.treas.gov/prompt/ppcalc2.html Automatically calculates monthly compounding interest.
- http://www.fms.treas.gov/prompt/rates.html Prompt Payment interest rate.

Simply Daily Interest

The following formula can be used to determine simple daily interest:

$$P(r/360*d)$$

- P is the amount of principle or invoice amount;
- r equals the Prompt Payment interest rate; and
- d equals the number of days in which interest is being calculated.

For example, if payment is due on April 1 and the payment is not made until April 11 a simple interest calculation will determine the amount of interest owed to the vendor for the late payment. Using the formula above, an invoice in the amount of $1,500 paid 10 days late and at an interest rate of 6.5% would be calculated as follows:

$$\$1,500\ (.065/360*10) = \$2.71$$

Monthly Compounding Interest

The following formula can be used to determine monthly compounding interest in accordance with 5 CFR 1315.10(a)(3):

$$P\ (1+r/12)^{n} * (1+(r/360*d)) - P$$

- P is the amount of principle or invoice amount;
- r equals the Prompt Payment Interest rate;
- ^{n} equals the number of months; and
- d equals the number of days for which interest is being calculated.

The first part of the equation calculates compounded monthly interest. The second part of the equation calculates simple interest on any additional days beyond a monthly increment.

For example, if the amount owed is $1,500, the payment due date is April 1 the agency does not pay until June 15 and the applicable interest rate is 6%, interest is calculated as follows:

$$\$1,500\ (1+.06/12)^{2} *$$
$$(1+(0.06/360*15))-\$1,500 = \$18.83$$

Examples of Prompt Payment Interest Penalty Calculations

1. DETERMINATION OF INTEREST PENALTY ON A PROPER INVOICE PAID LATE

Terms: $10,000, due in 30 days

Facts: Paid on the 50th day after receipt

Interest computation: $10,000 x prompt payment interest rate in effect on the day after the payment due date (for example, 7% X .0556 (20 days late divided by a 360-day year) = $38.92 interest penalty.

2. DETERMINATION OF INTEREST PENALTY WHEN AN IMPROPER DISCOUNT HAS BEEN TAKEN

Terms: $10,000, 2/10 net 30

Facts: Discount of $200 was taken on the 12th day, which was 2 days past the discount period. The discount was paid to business concern on the 30th day after the discount period expired.

Days of interest penalty: 30

Interest computation: $200 x prompt payment interest rate in effect on the day payment becomes overdue (for example, 7%) x (30 days late divided by a 360-day year) = $1.17 interest penalty.

Payment to vendor: $200.00 (improper discount) + 1.17 (interest penalty) = $201.17 total payment to vendor.

3. DETERMINATION OF INTEREST PENALTY ON AN IMPROPER INVOICE RETURNED LATE TO VENDOR

Terms: $10,000, due in 30 days

Facts: The original invoice was returned to the vendor on the 18th day after receipt. The maximum acceptance is 7 days, plus the day the invoice is returned, so 10 days are subtracted from the 30-day due date. The revised invoice was paid on the 35th day after receipt.

Days of interest penalty: 15 (subtracting 20 days from the 35 days)

Interest computation: $10,000 x prompt payment interest rate in effect on the day payment becomes overdue (for example, 7%) x (15 days divided by a 360-day year) = $29.17 interest penalty.

ATTACHMENT 6-3

SAMPLE INTEREST PENALTY ASSESSMENT MEMORANDUM

To: Program Office

From: Finance Office

Subject: Confirmation of Interest Penalty Assessed

In accordance with the interest penalty provisions of this chapter, an interest penalty has been assessed in relation to a contract bearing a funds citation for which you are authorized to approve program release documents.

Pertinent details are as follows:

1. Accounting classification charged (also show budget and reporting code and fund type):

2. Amount of interest penalty charges: $1.50

3. Date interest penalty charged: 12-31-03

4. Interest rate: 15.5%

5. Days late: 17

6. Contract identification number: DE-AC-01-82-NE-32097

7. Contractor: A. Voice, Inc.

8. Invoice or bill number: 39 82 R C0702.000

9. Reason for delay: Misplaced invoice

(This page is intentionally blank)

ATTACHMENT 6-4

SOLICITATION FOR FINANCIAL INSTITUTION SERVICES

When a new contract that provides for payments cleared funding has been awarded by DOE, the Departmental CFO will advise Treasury that a new payments-cleared funding account is pending. The Field CFO or equivalent shall also work with the cognizant procurement official and the contractor to solicit banking services for the contractor under a special financial institution account agreement. The Field CFO or equivalent will provide the contractor with the information required to survey eligible financial institutions for interest in providing its banking needs under a contractor's payments cleared financing arrangement.

DOE requires that financial institutions be covered by the appropriate deposit insurance and post collateral in accordance with Treasury regulations governing securing of Government accounts. The institutions must maintain an account with a Federal Reserve Bank. On completion of the survey, the contractor shall be asked to provide a list of suggested bidders to the procurement officer. The procurement officer shall solicit bids from eligible institutions and, with the advice of the Field CFO or equivalent and the contractor competitively select a financial institution to provide banking services to the contractor under a payment cleared financing arrangement.

A copy of the special financial institutions account agreement signed by all parties shall be delivered to the Field CFO or equivalent, so that an ASAP 1031 account can be set up at the Federal Reserve Bank of Richmond. Refer to Attachment 6-5 for the format of the special financial institution account agreement.

1. Prior to soliciting bids from financial institutions for their services, the contractor, with the Field CFO or equivalent's assistance, shall complete the "Schedule of Financial Institution Processing Charges" form by typing in the contractor's name and the projected monthly quantities of services that the institution will be required to provide. Use of this form will standardize the basis on which the institutions will bid.

2. The procurement officer shall determine the method to be used in soliciting bids. Soliciting for bids shall be done by the cognizant procurement office in accordance with acquisition regulations. If fewer than three bids are received in response to the initial solicitation, the bid area shall be expanded and the service rebid, or the responsible contracting officer, in coordination with the Field CFO or equivalent shall make a determination, in writing that expanding the bid area would not result in an increased competition.

3. Samples of solicitation materials to be included in the solicitation are provided in Attachment 6-5. The information provided may not be comprehensive and can be modified to include applicable cash management provisions contained in paragraph 7 of this chapter and any other warranted provisions. Generally, if specific requirements are not spelled out in the contract, the financial institution cannot be required to comply with them. However, the funds and the accounts held under a special financial institution account agreement belong to the Government and must be collateralized in accordance with Treasury regulations, specifically, Treasury Circular 176 and I TFM 6-9000, even if not included in the written agreement.

4. The financial institution will be compensated for its services based on the fees bid for those services by a direct payment of the fees. The financial institution submits a monthly invoice to the contractor's office. The invoice will show amounts due in accordance with the per-item costs specified on the "Schedule of Financial Institution Processing Charges."

The financial institution is compensated by a payment drawn on the recipient's account in the financial institution. Fees paid for these banking services are an allowable cost under such management and operating contracts.

5. The DOE Field CFO or equivalent shall submit a written notification of a new pending payments cleared funding account to the Director, Office of Financial Policy, approximately 1 month before the desired implementation date. The request should include the following:

   a. Name and address of the recipient organization;

   b. Name and address of the financial institution selected to provide the services;

   c. Name and telephone number of a contact at the selected financial institution;

   d. Pending ASAP 1031 account number; and

   e. Proposed date of implementation.

ATTACHMENT 6-5

SAMPLE SOLICITATION LETTER

Dear Sir or Madam:

The Department of Energy is currently soliciting bids from interested financial institutions to provide services for the [contractor's name] account under a payments cleared financing arrangement.

The Treasury Automated Standard Application for Payment (ASAP) system is utilized by the Federal Government for paying grants, contracts, and other programs. Under a payment cleared financing arrangement, the contractor issues payments for program costs. When the payments are cleared by the financial institution, the financial institution draws on an ASAP 1031 account at the Federal Reserve Bank of Richmond. The amount of the drawdown should be sufficient to maintain the account balance net positive and as close to zero as administratively possible.

The institution will be compensated by direct payment of fees.

Enclosed is a proposal package that provides your institution with information and forms to be used in submitting a proposal. The following documents are contained in the proposal and information package:

1. The figure entitled "Technical Representations and Certifications,"

2. The worksheet entitled "Schedule of Financial Institution Processing Charges,"

3. A sample agreement, and

4. The document entitled "Financial Institution's Information on the Payments-Cleared Financing Arrangement."

To receive same-day credit from the Federal Reserve, the financial institution ascertains the amount of payment items received for payment net of the amount of any deposits and submits an online payment request to the Federal Reserve Bank of Richmond by 5:45p.m. Eastern Time.

If your institution is interested in providing the financial services required under a payment cleared financing arrangement, a bid must be submitted to the following address by not later than [deadline date]:

[DOE mailing address]

The completed bid must be submitted in writing, using materials 1, 2, and 3 described above. Incomplete bids or bids received after the deadline date of [deadline date] will not be considered. Your institution will receive notification of the final decision by letter within 30 days of the close of the bidding period.

Questions pertaining to the proposal package should be directed to [DOE official] at [official telephone number].

Sincerely,

Enclosures

SAMPLE TECHNICAL REPRESENTATIONS AND CERTIFICATIONS

The financial institution makes the following technical representations and certifications as part of its bid to the Department of Energy to service a payments cleared financing arrangement. (Check parentheses and complete blanks, as appropriate. All information is necessary.)

1. Financial Institution Fiscal Information

   a. The financial institution is a ( ) national chartered financial institution ( ) State chartered financial institution organized and existing in the State of _____.

   b. The financial institution ( ) maintains ( ) does not maintain an account with a Federal Reserve Bank.

   c. The current ( ) Federal ( ) State time deposit reserve requirement for the financial institution is ___%.

   d. The financial institution insures each time account for $100,000 under federally approved deposit insurance ( ) Yes ( ) No. Deposits are insured by a Government deposit insurance organization approved by the Treasury (a list of approved insurance organizations is attached to this form). If no, explain:

   e. The financial institution has direct online access to the Federal Reserve Communications System (FRCS). If no, explain:

   f. To receive same-day credit from the Federal Reserve, the financial institution can ascertain the amount of payments cleared net of the amount of any deposits and submit a payment request through the FRCS by _____ p.m. Eastern Time.

2. Minority Business Enterprises

   Is the financial institution a minority-owned or minority-controlled institution, eligible to participate in the Treasury Minority Bank Deposit Program (MBDP)? ( ) Yes ( ) No

   Information about eligibility and enrollment in the MBDP program is available on the Treasury website at www.fms.treas.gov.

3. Technical

   a. Does the financial institution currently service and reconcile an account with a payment volume equal to or exceeding the anticipated volume required by the contractor as stated in the "Schedule of Financial Institution Processing Charges"?

      Service: ( ) Yes ( ) No Reconciliation: ( ) Yes ( ) No

   b. What is the highest number of payments serviced and reconciled for a single account?

      Service: _____ Reconciliation: _____

SCHEDULE OF FINANCIAL INSTITUTION PROCESSING CHARGES

Contractor:

_____

Financial Institution:

_____

1.	Account Maintenance	_____	@_____	$___
2.	Checks Cleared	_____	@_____	$___
3.	Automated Clearing House Transfers	_____	@_____	$___
4.	Wire Transfers	_____	@_____	$___
5.	Stop Payment Orders	_____	@_____	$___
6.	Preparation of 1031, Request for Credit Transfer	_____	@_____	$___
7.	Deposits	_____	@_____	$___
8.	Non-cash Items Deposited	_____	@_____	$___
9.	Other Services (Explained below)	_____	@_____	$___
		_____	@_____	$___
		_____	@_____	$___
		_____	@_____	$___
		_____	@_____	$___
10.	Total Monthly Service Charges	(Sum Lines 1-9)		$___
11.	Annual Service Charges	(Line 10 x 12 months)		$___

SPECIAL FINANCIAL INSTITUTION ACCOUNT AGREEMENT FOR USE WITH THE PAYMENTS CLEARED FINANCING ARRANGEMENT

Agreement entered into this, _____ day of _____, _____, between the UNITED STATES OF AMERICA, represented by the Department of Energy (hereinafter referred to as "DOE"), and _____, a corporation/legal entity existing under the laws of the State of _____ (hereinafter referred to as the Contractor) and _____, a financial institution corporation existing under the laws of the State of _____, located at _____ (hereinafter referred to as the Financial Institution).

RECITALS

(a) On the effective date of _____, _____, _____, DOE and the Contractor entered into Agreement(s) No. _____, or a Supplemental Agreement(s) thereto, providing for the transfer of funds on a payments-cleared basis.

(b) DOE requires that amounts transferred to the Contractor there under be deposited in a special demand deposit account at a financial institution covered by Treasury-approved Government deposit insurance organizations that are identified in I TFM 6-9000.

These special demand deposits must be kept separate from the Contractor's general or other funds, and the parties are agreeable to so depositing said amounts with the Financial Institution.

(c) The special demand deposit account shall be designated [name of Contractor] [account title] account.

COVENANTS

In consideration of the foregoing, and for other good and valuable considerations, it is agreed that–

1. The Government shall have a title to the credit balance in said account to secure the repayment of all funds transferred to the Contractor, and said title shall be superior to any lien, title, or claim of the Financial Institution or others with respect to such accounts.

2. The Financial Institution shall be bound by the provisions of said Agreement(s) between DOE and the Contractor relating to the transfer of funds into the and withdrawal of funds from the above special demand deposit account, which are hereby incorporated into this Agreement by reference, but the Financial Institution shall not be responsible for the application of funds withdrawn from said account. After receipt by the Financial Institution of directions from DOE, the Financial Institution shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions. Any written directions received by the Financial Institution from the Government upon DOE stationery and purporting to be signed by, or signed at the written direction of, the Government may, insofar as the rights, duties, and liabilities of the Financial Institution are concerned, be considered as having been properly issued and filed with the Financial Institution by DOE.

3. DOE, or its authorized representatives, shall have access to financial records maintained by the Financial Institution with respect to such special demand deposit account at all reasonable times and for all reasonable purposes, including, but without limitation to, the inspection or copying of such financial records and any or all memoranda, checks, payment requests, correspondence, or documents pertaining thereto. Such financial records shall be preserved by the Financial Institution for a period of 6 years after the final payment under the Agreement.

4. In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the special demand deposit account, the Financial Institution shall promptly notify DOE at:

   [Name of office]
   [Street address]
   [City]
   [State and Zip Code]

5. DOE shall authority funds that shall remain available to the extent that obligations have been incurrent in good faith there under by the Contractor to the Financial Institution for the benefit of the special demand deposit account. The Financial Institution agrees to honor upon presentation for payment all payments issued by the Contractor and to restrict all withdrawals against the funds authorized to an amount sufficient to maintain the average daily balance in the special demand deposit account in a net positive and as close to zero as administratively possible.

   The Financial Institution agrees to service the account in this manner based on the requirements and specifications contained in DOE solicitation No. _____, dated _____. The Financial Institution agrees that per-item costs, detailed in the form "Schedule of Financial Institution Processing Charges," contained in the Financial Institution's aforesaid bid will remain constant during the term of this Agreement. The Financial Institution shall calculate the monthly fees based on services rendered and invoice the contractor. The contractor shall issue a check or automated clearinghouse authorization transfer to the Financial Institution in payment thereof.

6. The Financial Institution shall post collateral in accordance with 31 CFR 202 with the Federal Reserve bank in an amount equal to the net balances in all of the accounts included in this Agreement (including the noninterest-bearing time deposit account), less the Treasury-approved deposit insurance.

7. This Agreement, with all its provisions and covenants, shall be in effect for a term of _____ years, beginning on the _____ day of _____, _____, and ending on the day of _____, _____.

8. DOE, the Contractor, or the Financial Institution may terminate this Agreement at any time within the agreement period upon submitting written notification to the other parties 90 days prior to the desired termination date. The specific provisions for operating the account during this 90-day period are contained in Covenant 11.

9. DOE or the Contractor may terminate this Agreement at any time upon 30 days' written notice to the Financial Institution if DOE or the Contractor, or both parties, find that the Financial Institution has failed to substantially perform its obligations under this Agreement or that the Financial Institution is performing its obligation in a manner that precludes

administering the program in an effective and efficient manner of that precludes the effective utilization of the Government's cash resources.

10. Nothwithstanding the provisions of Covenants 8 and 9, in the event that the Agreement, referenced in Recital (a), between DOE and the Contractor is not renewed or is terminated, this Agreement between DOE, the Contractor, and the Financial Institution shall be terminated automatically upon the delivery of written notice to the Financial Institution.

11. In the event of termination, the Financial Institution agrees to retain the Contractor's special demand deposit account for an additional 90-day period to clear outstanding payment items.

This Agreement shall continue in effect for the 90-day additional period, with exception of the following:

1. Term Agreement (Covenant 7)

2. Termination of Agreement (Covenant 8 and 9)

All terms and conditions of the aforesaid bid submitted by the Financial Institution that are not inconsistent with this 90-day additional term shall remain in effect for this period.

The Financial Institution has submitted the forms entitled "Technical Representations and Certifications" and "Schedule of Financial Institution Processing Charges." These forms have been accepted by the Contractor and the Government and are incorporated herein with the document entitled "Financial Institution's Information on Payments Cleared Financing Arrangement" as an integral part of this Agreement.

IN WITNESS WHEREOF the parties hereto have caused this Agreement, which consists of _____ pages, including the signature pages, to be executed as of the day and year first above written.

_____ By _____
Date Signed (Typed Name of Contractor Officer)

_____
(Signature of Contracting Officer

WITNESS

_____ _____
(Typed Name of Witness) (Name of Contractor)

_____ By _____
(Signature of Witness) (Name of Contractor's Representative)

Note: In the case of a corporation, a witness is not required. Type or print names under all signatures.

_____
(Signature of Contractor's Representative)

_____
(Title)

_____
(Address)

_____
(Date Signed)

_____ _____
(Name of Witness) (Name of Financial Institution)

_____
(Name of Financial Institution Representative)

_____ _____
(Signature of Witness) (Signature of Financial Institution Representative)

Note: In the case of a corporation, a witness is not required. Type or print names under all signatures.

_____
(Title)

_____
(Address)

_____
(Date Signed)

NOTE

The contractor, if a corporation, shall cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, _____, certify that I am the _____ of the corporation named as Contractor herein; that _____, who signed this Agreement on behalf of the Contractor, was then _____of said corporation and that said Agreement was duly signed for the and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

_____
(Corporate Seal) (Signature)

NOTE

Financial Institution, if a corporation, shall cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, _____, certify that I am the _____ of the corporation named as Contractor herein; that _____, who signed this Agreement on behalf of the Contractor, was then _____of said corporation and that said Agreement was duly signed for the and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

_____
(Corporate Seal) (Signature)

FINANCIAL INSTITUTION'S INFORMATION ON PAYMENTS CLEARED FINANCING ARRANGEMENT

1. GENERAL INFORMATION

Payments cleared funding is a method used by the Federal Government to provide funds to a contractor who is performing services or providing goods to the Department of Energy (DOE). Under this method, the contractor issues payments for program purposes. When these payments clear the financial institution, the payments are totaled, and the financial institution draws funds from an Automated Standard Application for Payment (ASAP) 1031 system account at the Federal Reserve Bank (FRB-Richmond) of Richmond for credit to the account at the contractor's account. The financial institution is compensated for services performed in the form of direct payment of fee. Information necessary to bid for and operate such an account and to establish the reporting requirements the financial institution must meet are provided below.

2. BIDDING INFORMATION

a. Upon receipt of the solicitation from DOE, the financial institution representative should review the package to ensure that all material listed in the covering letter has been included. If anything is missing, the financial institution representative should contact the DOE representative named in the letter to obtain the missing material. If all material is present, the financial institution representative should review the bidding procedures, the operating procedures, the reporting requirements, and the sample agreement. Questions should be directed to the designated DOE representative.

b. Once the procedures and requirements are understood and the financial institution's management decides to submit a proposal, the procedures below should be followed:

(1) Check or complete all responses contained in the "Technical Representations and Certifications" form.

(2) Complete the "Schedule of Financial Institution Processing Charges" form.

(3) Ensure that all required information has been provided before forwarding the completed forms to the designated DOE representative. These forms constitute the financial institution's formal proposal to DOE. Incomplete proposals will not be considered.

(4) Forward the completed proposal with a cover letter to the DOE

representative at the address provided. Proposals not received by the date established for submission will not be considered.

c. Bidders will be notified, by letter, of the financial institution selected within 30 calendar days after the close of the bidding period.

d. The selected financial institution will meet with the designated DOE representative to clarify any operational questions and to sign the contractual agreement and required corporate certificates for both the contractor and financial institution. The agreement term will be determined by the DOE representative, but normally will be for a period of not less than 2 years and not more than 5 years. Specific termination provisions are contained in the agreement for termination before the date specified in the agreement.

3. OPERATING REQUIREMENTS

a. The financial institution will total the payments cleared against the special account and subtract any deposits. This sum will be drawn from the ASAP 1031 account at FRB-Richmond. The amount of the drawdown should be sufficient to maintain the account balance net positive and as close to zero as administratively possible. The institution must determine the cutoff time for processing payments and deposits to ensure same day credit. The drawdown is effected by sending an online request for funds (type code 1031) to FRB-Richmond via Fedwire by 5:45 p.m. Eastern Time. The DOE finance office will provide the financial institution with enrollment forms that will permit withdrawal of funds from the ASAP 1031 account at FRB-Richmond. The institution will complete the forms and return them to DOE for further processing.

b. If the financial institution providing these services is a branch of a parent institution, the drawdown on ASAP 1031 and subsequent transfer of funds from FRB-Richmond must be accomplished in time for the branch to receive same-day credit for the funds requested.

4. COMPENSATION

The institution will be paid by the contractor under the direct payment method.

5. PENALTIES ON EXCESS FUNDS

If the financial institution has a pattern of excess drawdowns and fails to correct the problem after written notice from the Department, the financial institution will be assessed interest on all excess balances at the Federal Funds Rate for the month(s), and the special financial institution account agreement will be terminated. Penalties will be remitted to the cognizant DOE finance office.

6. REPORTING REQUIREMENTS

The financial institution will provide the contractor with a bank statement and an account analysis monthly. The account analysis will include the data necessary for the DOE finance office to determine that the costs of the services are commensurate with the level of compensation being provided to the financial institution, and the average daily demand account balance is being maintained net positive and as close to zero as administratively possible.

ATTACHMENT 6-6

CHECKLIST FOR PERFORMING QUALITY CONTROL REVIEWS

1. Verify that the payment is subject to the Prompt Payment Act. (Refer to Prompt Payment, 5 CFR 1315.1)

2. Verify that the invoice was date-stamped as received; otherwise, use the date of invoice in determining payment due date.

3. Verify that the invoice is the proper invoice. (See Prompt Payment, 5 CFR 1315.9) If it is not, verify that the invoice was date-stamped when the correction was made and that the vendor was notified within the required timeframe.

4. Verify that the reviewer determined that the payment due date matches the due date entered into the system. (See Prompt Payment, 5 CFR 1315.4(g).)

5. Review documentation to verify that property or services were delivered and accepted.

6. Review Treasury accomplished pay schedule to verify that payment was made by the due date, and when not made by the date, that interest penalties were paid in accordance with the Act. (See Prompt Payment, 5 CFR 1315.10)

7. Verify that the proper interest rate was used in calculating interest penalties. (See FMS website at www.fms.treas.gov.)

8. Verify that any discount taken based on payment within the discount period, that is, the period from the date of the invoice as dated by the contractor to the end of the discount period. (See Prompt Payment. 5 CFR 1315.7)

9. Ensure that interest penalties and economically advantageous purchase discounts lost are charged to the same object class and budget and reporting classification used for the original contract or purchase order.

10. Verify that all early payments approved by the CFO or Field CFO or equivalent are separately accounted for and that approval thereof is in writing.

11. Verify the legitimacy of all discounts not taken because they were not economically advantageous.

CHAPTER 7

ADVANCES, PREPAID EXPENSES, AND OTHER ASSETS

1. INTRODUCTION.

a. Purpose. This chapter supplements Volume 1 Part 6-2000 of the Treasury Financial Manual (1 TFM 6-2000), Federal Acquisition Regulation (FAR) 48 Code of Federal Regulations (CFR) Sections 32.2 and 32.4, "Commercial Item Purchase Financing" and "Advance Payments for Non-Commercial Items," respectively, as supplemented by Department of Energy (DOE) Acquisition Regulation (DEAR), "Advance Payments for Non-Commercial Items" (48 CFR 932.4). The Chapter discusses the accounting treatment for advances and prepaid expenses and should not be used as a reference for determining whether it is appropriate to make an advance payment or prepay expenses. Criteria for determining whether an advance payment can or should be made are discussed the FAR sections referenced throughout the chapter.

b. Applicability. This chapter applies to all Departmental/field elements and site/facility management contractors as provided by law and/or contract and as implemented by the appropriate contracting officer. Non-integrated contractors shall follow the applicable standards and procedures as specified in this handbook if provided in their contracts.

The provisions in chapter do not apply to advances involving the following Departmental activities:

(1) Payments Cleared Funding for Site/Facility Management Contractors and Other Major Contractors – As provided for in Chapter 6, "Cash" and stipulated for under "Contract Financing – Advance Payments" (48 CFR 970.3204);

(2) Advances Received for work to be performed for others covered in Chapter 13, "Reimbursable Work, Revenues, and Other Collections; and

(3) Cash drawdowns associated with financial assistance instruments is provided in Chapter 14, "Grants, Cooperative Agreements, and Technology Investment Agreements.

c. Managing and Accounting. Field Chief Financial Officers (Field CFOs) or equivalents should record advances to others and prepayments which are $25,000 or more as assets. It is at the discretion of each office to record advances and prepayments less than $25,000 as assets.

(1) Advances (1410XX)

(a) In accordance with 31 U.S.C. 3324, a payment under a contract to provide a service or deliver an article for the United States Government may not be more than the value of the service already provided or the article already delivered. An advance of public money may only be made if it is authorized under the provisions of 31 U.S.C. 3324(b), such as through a specific appropriation or other law. The provisions of 31 USC 3324 do not apply to cash drawdowns with grants, cooperative agreements, and Technology Investment Agreements provided in Chapter 14.

(b) Advances need to be monitored to accurately record costs or capitalize other assets as work is completed or services are received. These amounts are debited as assets until the related expenses have been incurred, contract terms are met, or goods or services are received. Based on the work completed or services received, the advance account is credited, and the appropriate expense or asset account is debited. If adequate information is not available, estimate the work completed. Based on the estimate, the appropriate expense or asset account is debited and accounts payable is credited. When the cost information is received, accounts payable for the estimated amount previously recorded is debited and the advance account for actual work completed is credited. Any differences between the estimate and the actual work completed should be adjusted to the appropriate expense or asset account.

(c) Each advance shall be limited to the minimum amount necessary for immediate disbursement needs and will be timed to be in accordance with the actual immediate cash requirements of the recipient in carrying out an approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient for direct program costs and the proportionate share of any allowable indirect costs.

(d) Advances should be monitored on a continuous basis, but not less frequently than each calendar quarter. Cost or financial reports required by the terms and condition of the contract or agreement shall be used to determine whether

the recipient is using the advance as stipulated. Chapter 14, "Grants, Cooperative Agreements, and Technology Investment Agreements," provides requirements for managing cash drawdowns involving grants and cooperative agreements. Any unused advance balance must be returned to DOE.

(2) **Prepayments (1450XX).** Prepayments shall be expensed over the period to which they apply. *Prepayments as opposed to advances* are payments made by an office to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period.

(3) **Collateral Funds (1990XX).** Income from a collateral fund is accounted for as revenue or other financing sources.

(4) **Service and Container Deposits (1990XX).** A record of service and container deposits shall be maintained and monitored to ensure the ultimate return of the deposit.

2. **ADVANCES.** An advance is a payment made in contemplation of the future performance of services, receipt of goods or other assets, or incurrence of expenses. These amounts are recorded as assets until the related expenses have been incurred, contract terms are met, or goods or services are received. Requirements for advances are categorized as follows: 2.a., Advances to Other Federal Agencies and within the Department of Energy; 2.b., Advances to Contractors and Other Financial Recipients; and 2.c., Advances to Employees. In all cases, advance payments made under sections 2.a. and 2.b. of this chapter must be authorized by the cognizant contracting officer.

a. **Advances to Other Federal Agencies and within the Department of Energy.** Advances can be made to other Federal agencies, and within DOE as provided for under the provisions of 31 U.S.C. 1535, "Agency Agreements." Even though advance payments are permissible under 31 U.S.C. 1535, it is DOE policy not to make advances to other Federal agencies and to other offices within DOE except when required by law or when provided in an interagency agreement. Advances to other Federal agencies can be made through the Intra-governmental Payment and Collection (IPAC) System. Additionally, Form 1080, "Voucher for Transfers Between Appropriation and/or Funds," will be used in instances where payment to another Federal agency is required by Automated Clearing House transfer or check. Advances within DOE will be made in accordance with the provisions of Chapter 12, "Inter-Entity Transactions."

b. Advances to Contractors and Other Financial Recipients. This section prescribes procedures to be followed for cash advances involving DOE programs to contractors and other financial recipients. FAR 32 prescribes policies and procedures for advances and other payment matters for contracting officers. For example FAR 32.02-4(a)(3) provides responsibilities for security needed before an advance is provided. Also, FAR 32.106 provides in an order of preference when a contractor requests advance funding.

(1) Amounts of Advances. Payment offices will schedule advances in the manner stated under section 1.c.(1)(b) so the funds are available to the recipient organization only immediately prior to their disbursement by the organization. For example, if disbursements are made by the recipient organization on a monthly, biweekly, or any other fixed period, and the amounts involved so warrant, transfer of the funds should be similarly timed. For commercial items, prior to any performance of work on the contract, advances must not exceed 15 percent of the contract price. Please see 48 CFR 32.202 for this provision and other requirements which must be met before advances can be provided for commercial items. Commercial items are defined as any item, other than real property, that is of a type customarily used by the general public or by non-governmental entities for purposes other than government use and has been sold, leased, or licensed to the general public; or has been offered for sale, lease, or license to the general public. . Further definition of a commercial item can be found in 48 CFR 2.101.

(2) Advance Payment Methods.

(a) The Debt Collection Improvement Act of 1996 mandates the use of electronic funds transfer for almost all Federal Government payments. However, advance payment by electronic funds transfer is not required if one of the waiver provisions in 31 CFR 208.4, “Waivers,” applies.

(3) Termination of Advance Funding.

(a) When a recipient organization receiving cash advances has demonstrated an unwillingness or inability to establish procedures that will minimize the time elapsing between cash advances and the disbursement thereof, the contracting officer, unless prohibited by the statute(s) governing the program(s), will terminate the advance funding. In this situation, the recipient organization will be required to finance its operations with its own working capital, and DOE

will then reimburse the recipient organization by electronic funds transfer or by other acceptable payment methods, as described in Treasury Financial Manual Volume I, Part 6, 2070.10 (I TFM 6-2070.10). Such reimbursements will be processed expeditiously to minimize the time elapsing between disbursement by, and payment to, the recipient organization.

(b) If the contracting officer determines reimbursement is not feasible because the recipient lacks sufficient working capital, DOE may provide funds on a working capital advance basis in accordance with I TFM 6-2070.2. On this basis, the contracting officer authorizes cash advances to the recipient to cover its estimated disbursement needs for an initial period of time, generally geared to the recipient's disbursement cycle. The period of time is to be decided by the contracting officer but normally should not exceed 30 days. Thereafter, payments are made to the recipient organization for the amount of its actual cash disbursements.

(4) **Monitoring and Controlling Advances.** Field CFOs or equivalents are responsible for reviewing the recipient organization's advances and implementing remedial measures in the event of excessive withdrawals of cash. Contracting officers should include provisions in the contractual language which require organizations to provide periodic progress reports to support this requirement. A successful program for monitoring advances involves a collaborative effort of the Field CFO or equivalent, program and procurement officials.

(a) **Review of Advances and Uncosted Balances.** Periodically, but not less frequently than quarterly, field CFOs or equivalents must review a recipient organization's use of funds advanced.

The field CFOs or equivalents must review the reports for agreement with DOE accounts, reasonableness of cash balances on hand, and the timing of payments. Field CFOs or equivalents should also inquire into any other matters that might warrant action to change the advances by electronic funds transfer, etc. Any uncosted balances that will not be used in the future must be returned promptly to DOE.

(b) **Excessive Federal Funds.** In accordance with I TFM 6-2075.30, federal funds should be promptly refunded to DOE when the funds advanced are in excess of immediate

disbursement needs. The only exceptions to the requirement for prompt refunding are when the funds involved will be disbursed by the recipient organization within seven calendar days, or are less than $10,000 and will be disbursed within 30 calendar days. These exceptions to the requirement for prompt refunding should not be construed as approval by Treasury for a recipient organization to maintain excessive funds; they are applicable only to excessive amounts of funds erroneously drawn.

(c) Interest Earned on Federal Funds.

1. Any interest income earned by a recipient organization on federal funds will be promptly refunded to DOE unless specifically prohibited by law. The field CFO or equivalent shall deposit applicable interest to Treasury Account 89 1435, "General Fund Proprietary Interest Collections, Not Otherwise Classified." in accordance with I TFM 6-2075.30b. The power marketing administrations shall deposit miscellaneous interest to the reclamation fund or the revolving funds as appropriate. In addition, interest earned on advances funded with the Nuclear Waste Fund (NWF) shall be returned to the NWF.

2. Additionally, in accordance with DEAR 932.407, “Interest,” recipient organizations are not subject to interest charges for un-liquidated balances resulting from advances received for cost-reimbursement contracts for construction or engineering services involving non-commercial items.

3. Please see Chapter 14, “Grants, Cooperative Agreements, and Technology Investment Agreements for special provisions on interest earned on financial assistance awards for revolving loan funds and for certain financial recipient organizations.

c. Advances to Employees. Advances to employees may be made for tuition, books, and training fees. Additionally, advances may be provided in rare circumstances for authorized travel.

(1) **Advance Payment Methods for Employees.** Electronic funds transfer is the typical method to advance funds to employees. However, advance payment by electronic funds transfer is not required if one of the waiver provisions in 31 CFR 208.4 applies. In accordance with 31 U.S.C. 3321-3333, Federal agencies are required to eliminate the use of imprest funds. However, imprest funds may be used when a payment by electronic funds transfer is waived in accordance with the provisions of 31 CFR 208.4, "Waivers," and one other waiver described in (a) through (e):

(a) Payments involve national security interests, military operations, or national disasters;

(b) Payments are made in furtherance of a law enforcement action;

(c) The amount owed is less than $25;

(d) The political, financial, or communication infrastructure of a foreign country does not support payment by a non-cash mechanism; or

(e) Payments are made in emergencies, or in mission critical circumstances, that are of such an unusual and compelling urgency the Government would otherwise be seriously injured, unless the payment are made by cash.

Further information on Treasury's Policy Directive concerning imprest funds can be found on the internet at the FMS web site. (http://www.fms.treas.gov/imprest/regulations.html)

(2) **Amount of Advances.** In accordance with I TFM 6-2025, advances shall be limited to the minimum amount necessary for immediate disbursement needs and shall be timed to be in accordance with actual immediate cash requirements of the employees.

(3) **Monitoring and Controlling Advances.** Strict controls shall be maintained over all advances. All site/facility management contractor employees receiving an advance from DOE funds should sign a release statement allowing the government/contractor to offset advances against the employee's pay. A delinquency notice must be issued promptly to the employee for outstanding advances. Collection action through payroll deduction shall be initiated 30 days after the delinquency notice has been issued.

Administrative offsets are covered in Chapter 8, "Receivables," and DOE Order 533.1, "Collection from Current and Former Employees for Indebtedness to the United States."

3. PREPAID EXPENSES.

a. Prepayments. Prepayments are expenditures to cover certain period expenses before those expenses are incurred. Typical prepaid expenses are rent paid to a lessor at the beginning of a rental period. Progress payments made to a contractor based on percentage of completion of the contract are not advances or prepayments.

b. Accounting. Prepayments should be expensed over the period to which they apply.

4. DEPOSITS. Deposits are payments to vendors for returnable containers or security requirements by contract with such vendors as public utilities. Returnable containers include reels, drums, and other containers to hold materials and products while they are in transit, which can include materials sent to DOE by vendors or materials shipped by DOE to its customers. If it is known at the time of the receipt that containers in a particular shipment will not be returned (e.g., they will be used in a contaminated area; or the cost to ship them back to the supplier would exceed the amount of the deposit; or for some other acceptable reason), the deposit should not be recorded in the other deposit account. Rather, the full cost to be paid to the vendor for not returning the container should be recorded either as inventory; property, plant, and equipment; or as an expense item. Containers retained by DOE or its contractors for their own use should be recorded as inventory. However, the cost to DOE of special containers to hold or transport process materials should be recorded as property, plant, and equipment if the containers meet the criteria for retirement units stated in Chapter 10, "Property, Plant, and Equipment." Containers should be recorded either as an expense or should be recorded as part of the materials they contain, if they are destroyed, or for any other reason than those stated in the preceding sentence, are not returned. A record of service and container deposits shall be maintained and monitored to ensure the ultimate return of the deposit.

5. COLLATERAL FUNDS. Collateral funds and deposits consist primarily of insurance collateral funds, employees benefit and annuity funds, pension funds, special contract funds, and excess premium payments. The establishment and maintenance of a collateral fund, including the income earned and any gain or loss resulting from the sale of securities forming part of the fund, shall be in accordance with the specific provisions of the contract between DOE and the contractor and the provisions of the insurance plan or other trust agreement requiring the establishment of such a fund.

Department of Energy
Washington, DC 20585

December 10, 2004

MEMORANDUM FOR DISTRIBUTION

FROM: DEAN G. OLSON, DIRECTOR
OFFICE OF FINANCIAL POLICY

SUBJECT: Accounting Handbook - Chapter 8, Receivables

Attached is the final version of Chapter 8, "Receivables" of the Department's Accounting Handbook. A draft version of this chapter was circulated for review and comment in a May 5, 2004, memorandum "Request for Review of Chapter 8 Draft." Many of the comments received have been incorporated into the chapter.

We appreciate your assistance in the update of the Accounting Handbook. When all chapters of the Accounting Handbook have been updated, we will re-issue the entire Handbook. If you have any questions or would like to discuss any provisions of this chapter, please contact me on 202-586-4860.

Attachment

Printed with soy ink on recycled paper

DISTRIBUTION

James H. Curtis, Vice President, Policy Management & Finance, BPA
Thomas C. Foley, Acting Chief Financial Officer, CH
Timothy A. Rea, Finance Team Leader, GFO
Christine Ott, Chief Financial Officer, ID
Sharon Marchant, Chief Financial Officer, NETL
E. Dennis Martinez, Chief Financial Officer, NNSA
M. Janet Boulanger, Finance Manager, NPR3
Kay Hansen, Acting Chief Financial Officer, OH
Judith M. Penry, Chief Financial Officer, OR
Gary A. White, Chief Financial Officer, PNRO
Jean F. Schwier, Assistant Manager, Administration, RL
Leon Jourolmon, Jr., Assistant Administrator for Finance & Marketing, SEPA
Marvin T. Huntsman, Director, Planning & Financial Management, SPRO
John Pescosolido, Chief Financial Officer, SR
Gary Swartzlander, Director, Division of Financial Management & CFO, SWPA Attn: 5200
Harrison Pease, Chief Financial Officer, WAPA
William Leahy, Chief Financial Officer, Schenectady Naval Reactors Office, SNRO
Philip A. Pegnato, Acting Director, Office of Finance & Oversight, ME-12/GTN

December 9, 2004

CHAPTER 8

RECEIVABLES

1. INTRODUCTION.

a. **Purpose.** To prescribe the policies and general procedures for receivables management and accounting.

b. **Background.** The following constitute the framework for the Departmental policy and procedural requirements prescribed in this chapter:

(1) Federal Claims Collection Act of 1966 (31 U.S.C. 3701-3719), as amended by the Debt Collection Act of 1982 (Public Law 97-365, 96 Stat. 1754);

(2) Debt Collection Improvement Act of 1996 (Public Law 104-134, chapter 10, section 31001) (DCIA);

(3) General regulations contained in the Federal Claims Collection Standards (31 CFR 900-904) (FCCS);

(4) Debt Collection Authorities Under the Debt Collection Improvement Act of 1996 (31 CFR 285);

(5) DOE's overall debt collection regulations (10 CFR 1015);

(6) Relevant provisions contained in the General Accountability Office (GAO) Accounting Principles, Standards, and Requirements;

(7) Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards Number 1, Accounting for Selected Assets and Liabilities;

(8) Office of Management and Budget (OMB) Circular A-129, Managing Federal Credit Programs;

(9) Supplemental guidance set forth in the Department of the Treasury (Treasury)/Financial Management Service (FMS), "Managing Federal Receivables"; and

(10) Treasury Financial Manual (I TFM 6-8000).

c. Applicability.

(1) The applicability of this chapter is specified in Chapter 1, "Accounting Overview." The Power Marketing Administrations (PMAs) are subject to all financial policies and procedures of the Department unless those policies and procedures are superseded by the Federal Columbia River Transmission System Act, the Government Corporation Control Act, or other statutory authority. When there are conflicts between the provisions of this chapter and superseding statutes, the PMAs shall observe the policies and meet the reporting requirements of the Federal Energy Regulatory Commission (FERC) and other industry standards.

(2) Employee receivables are addressed in DOE Order 533.1, Collection from Current and Former Employees for Indebtedness to the United States.

(3) Reimbursable work receivables are addressed in Chapter 13, Reimbursable Work, Revenues, and Other Collections.

2. TAXPAYER IDENTIFICATION NUMBERS. The taxpayer identification number (TIN) is a nine digit Employer Identifying Number or Social Security Number as defined in Section 6109 of the Internal Revenue Code of 1986 (26 U.S.C. 6109). Pursuant to 31 U.S.C. 7701(c), offices must obtain the TIN of all persons or businesses doing business with DOE. DOE shall inform a person required to furnish a TIN that the TIN is required, and it may be used for collecting and reporting on any delinquent amounts arising out of such person's relationship with the Government. A person is considered doing business with DOE if the person is:

a. a lender or servicer in a Federal guaranteed or insured loan program administered by DOE;

b. an applicant for, or recipient of, a Federal license, permit, right-of-way, grant, or benefit payment administered by DOE;

c. a contractor of DOE;

d. assessed a fine, fee, royalty or penalty by DOE; or

e. in a relationship with DOE that may give rise to a receivable due to DOE.

For example, a person or business requesting information under the Freedom of Information Act enters into a relationship with DOE that may give rise to a receivable due to DOE by agreeing to reimburse DOE for costs incurred to collect and provide the information. Therefore, the requestor is required to furnish their TIN at the time the request is made.

Contracting officers are required by the Federal Acquisition Regulations (48 CFR 4.203) to attach a copy of the completed Taxpayer Identification solicitation provision as the last page of the copy of the contract sent to the payment office. If the contractor provides its TIN and type of organization to the contracting officer after award, the contracting officer shall forward the information to the payment office within seven days of its receipt.

3. **CREDIT EXTENSION.** A limited credit analysis to determine the creditworthiness of the customer should be performed before providing goods or services on credit (for example, isotope sales). At a minimum, this would include obtaining a credit rating and the customer's TIN. For goods and services under $1,000, the credit report is not required. The TIN and periodic credit evaluations should be required in the sales order or contract. Updated credit reports for current customers should be obtained as frequently as necessary to minimize the risk of loss from default while giving due consideration to the cost of such reports.

4. **ANALYSIS OF COSTS.** The Energy Finance and Accounting Service Center (EFASC), PMAs and FERC should prepare an annual comparison of costs incurred and amounts collected, as required by the FCCS (31 CFR 901.10). Costs should be based upon actual costs incurred or upon a cost analysis establishing an average of actual additional costs incurred by the office in processing and handling claims against debtors in similar stages of collection. Costs should include the staffing and resource costs incurred to recover debts and the costs associated with using various collection tools to enforce recovery of debts, including, but not limited to, the costs of obtaining a credit report, using private collection agencies, and fees charged by other agencies such as the Department of Justice (DOJ) or Treasury. This cost analysis should be used to establish minimum debt amounts below which collection efforts need not be taken, compare the cost effectiveness of alternative collection techniques, assist in evaluating offers in compromise, and establish guidelines with respect to points at which costs of further collection efforts are likely to exceed recoveries. The portion of the costs incurred in the collection of delinquent debt should be included in determining the amount of administrative costs. (See section 6e(1)(b), Administrative Costs.)

5. **ACCOUNT SERVICING.**

   a. **Recording the Receivable.**

      (1) **Timeliness.** Receivables should be recorded within 5 working days of the event that entitles DOE to be due funds, unless the cost-effectiveness of a longer period has been demonstrated. Normally, receivables are recorded as soon as reasonably possible after goods are delivered or accepted, services are performed, power bills are issued, licenses or permits are issued or renewed, interest is earned, or debt determinations involving disallowed costs or other overpayments under acquisition or financial assistance instruments are rendered. If a collection is received before the recording of the related

receivable, the receivable shall be recorded and the collection shall be processed against that receivable.

(2) **General Ledger and Subsidiary Records.** Record each receivable directly into the appropriate general ledger account code. Select the appropriate account code by determining the responsible DOE entity that must record the receivable, the type of debtor, or the type of receivable. The chart of accounts and explanation of each account are set forth in the MARS/SGL Chart of Accounts and Related Codes published by the EFASC and is available on their website (www.mbe.doe.gov/ficor). If necessary, record each receivable in a subsidiary ledger to segregate and summarize billing information by debtor.

(3) **Treasury Account Symbol** (appropriation, fund or receipt account). Record the receivable in the Treasury account symbol that will be credited when collections are accomplished, unless otherwise provided by law or Departmental policy. Detailed information on Treasury account symbols is contained in the Federal Account Symbols and Titles (FAST) book. The FAST book is available on the Treasury website (www.fms.treas.gov). Except where statutory authority exists to do otherwise, record late charges (late charge interest, administrative costs, and penalties) into the following miscellaneous receipt accounts:

(a) **Interest.**
Account 891435, General Fund Proprietary Interest, Not Otherwise Classified.

(b) **Administrative Costs and Penalties.**
Account 891099, Fines, Penalties, and Forfeitures Not Otherwise Classified.

(4) **Contingency Fees.** Fees such as those charged by Treasury in the Cross-Servicing Program, by the DOJ for collections from litigation cases, or by a collection contractor, shall be added to the amount of the outstanding delinquency and recorded in Account 891099, Fines, Penalties, and Forfeitures Not Otherwise Classified.

(5) **Earned but Unbilled Receivables.** Earned but unbilled receivables shall be recorded at the end of each monthly accounting period.

(6) **Classifying Receivables.** A receivable should be classified as current if payment is due within 12 months and as long term (non-current) if payment is not due within 12 months.

(7) Allowance Accounts.

(a) If an office determines that a receivable will not be totally collected, the appropriate Allowance for Loss account should be increased to reduce the gross amount of the receivable to its net realizable value.

(b) When a debt is referred to Treasury in the cross-servicing program or DOE is notified a debtor has filed for bankruptcy, an allowance for loss should be established.

(c) The estimated uncollectible amount should be based on past experiences, present market conditions, and an analysis of the outstanding balances. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct. The allowance should be established in the same fund as the original receivable and the general ledger allowance account associated with the original receivable.

(8) Bankruptcy. When an office learns that a bankruptcy petition has been filed with respect to a debtor, it should immediately seek legal advice from the Office of General Counsel at Headquarters concerning the impact of the Bankruptcy Code on any pending or contemplated collection actions. Unless Counsel determines that the automatic stay imposed at the time of filing has been lifted or is no longer in effect, collection action against the debtor should stop immediately. The following actions must also be taken to protect the Government's interest:

(a) Forward a copy of the bankruptcy notice to the Office of General Counsel at Headquarters, or the Office of Chief Counsel at the field location, for filing of a proof of claim. If the debt has been referred to DOJ, the Office of General Counsel at Headquarters or the Office of the Chief Counsel at the field location will coordinate the proof-of-claim filing with DOJ attorneys.

(b) The finance office will follow up with General Counsel to obtain a copy of the bankruptcy petition or proof of claim for their records. No late charges will accrue from the date of the bankruptcy filing. The finance office will follow up with General Counsel (or the bankruptcy trustee if legal action is completed) at a minimum every 6 months, or on a case-by-case basis, for a status report on the case. General Counsel will forward to the finance office copies of documents relevant to the amount and date of any distribution as they are received.

(c) If the Department is a secured creditor, it may seek relief from the automatic stay regarding the security, subject to the provisions of 11 U.S.C. 362.

(d) Offices should seek legal advice from Counsel to determine whether payments to the debtor and payments to other agencies available for offset may be frozen by the DOE until relief from the automatic stay can be obtained from the bankruptcy court. Legal advice should also be sought to determine if recoupment is available.

(e) Establish an allowance for the entire amount of the debt.

b. Billing the Debtor.

(1) Timeliness and Content. As directed in the Treasury Financial Manual (I TFM 6025.10), receivables should be billed within 5 working days of the event that entitles DOE to be due funds, unless the cost-effectiveness of a longer period has been demonstrated, taking into consideration the minimum debt amounts below which collection efforts need not be taken. (See section 4.) The notice/invoice is dated with the date on which it is mailed, hand-delivered, or otherwise transmitted to the debtor. The initial billing notice, demand letter, or invoice should inform the debtor of:

(a) The amount and the basis of the debt;

(b) The date on which payment is due;

(c) The right of the debtor to inspect and copy records related to the debt;

(d) The right of the debtor to request an administrative review of the debt;

(e) The requirement that the request for review must reach DOE by the payment due date;

(f) The requirement that the request for review must provide an explanation why the debt is incorrect and the explanation should be supported by affidavits, canceled checks, or other available evidence (See section 6f(5).);

(g) The right of the debtor to enter into a repayment agreement;

(h) The Department's intent to assess interest, penalties, and administrative costs if the debt is not paid by the due date, and to add any charges incurred in collection of the debt, such as fees charged by Treasury, private collection agencies, and DOJ to the amount of the debt;

(i) The Department's intent to transfer the debt to Treasury for further collection action if the debt is still outstanding 60 days from the date of the original invoice;

(j) The additional enforcement actions Treasury or DOE will take to collect the debt, such as:

1. Administrative wage garnishment;

2. Reporting the debtor's name, address, TIN number, and the amount and type of debt to a credit reporting agency;

3. Referral of the debt to a collection contractor;

4. Federal salary offset;

5. Tax refund offset;

6. Administrative offset; and

7. Referral to DOJ for litigation;

(k) The request that the debtor provide his or her TIN by completing Internal Revenue Service (IRS) Form W-9, "Request for Taxpayer Identification Number and Certification," as required by the DCIA (if not already available to the finance office);

(l) The name, phone number, and address of an individual (or customer service area) to contact within the Department; and

(m) Payment instructions. Electronic payment methods should be used when available.

The information above must be provided to the debtor to meet the due process requirements for debt collection. The information may be contained in the body of the invoice or demand letter or enclosed as a "fact sheet" with the invoice.

(2) Partial Invoices. When the actual value of goods or services cannot be specifically determined, an invoice equal to at least 75 percent of the estimated value shall be prepared. This invoice shall be clearly identified as partial and shall include a statement that a final invoice will be prepared.

(3) Number of Demand Letters. Generally, one notice/invoice/demand letter should suffice. The initial notice to the debtor should include the information contained in section 5b(1). An additional notice is optional. However, the

debtor must have 60 days notice before the debt is transferred to Treasury for additional collection action through the Treasury Cross-Servicing Program or reported to a credit reporting agency.

Day 1	Day 31	Day 61	Day 91
Initial notice contains required due process information	2nd notice (optional)	Transfer to Treasury	
Initial notice does **not** contain required due process information (This should only happen in rare instances where the original notice was not sent by the finance office.)	1st notice	2nd notice (optional)	Transfer to Treasury

(4) Foreign Receivables. All receivable payment provisions in financial agreements with foreign entities should be based on U.S. dollars.

(5) Debts Originating Under Acquisition or Financial Assistance Instruments.

(a) Debt Determination. The contracting officer shall determine the amount of debt to be recovered under an acquisition or financial assistance instrument. Such a debt determination may be in the form of a negotiated settlement or a unilateral debt determination. Negotiated debt determination settlement occurs where the two parties agree on the amount of debt due DOE; for example, as a result of a contract price adjustment, overpayments due to disallowed costs, or some other overpayment condition. For such debt determination, the contracting officer shall concurrently issue a confirmation of the negotiated settlement to the debtor. When mutual agreement cannot be reached, the contracting officer shall issue a unilateral debt determination (final decision rendered pursuant to the award's disputes article). The contracting officer shall forward a copy of the confirmation of the negotiated settlement or unilateral debt determination to the servicing finance office, which records the debt as a receivable.

(b) Demand for Payment.

1. The confirmation of the negotiated settlement or unilateral debt determination shall include or be accompanied by a written demand for payment, which shall serve as the invoice or the initial demand for payment. The demand shall be mailed on the date it is signed and dated by the contracting officer. The contracting officer shall forward a copy of any accompanying demand for payment along with a copy of

the related confirmation of the negotiated settlement or unilateral debt determination that is forwarded to the servicing finance office.

2. The demand for payment of a debt originating under an acquisition contract or financial assistance instrument must be prepared in accordance with applicable acquisition or financial assistance regulations and the terms and conditions of the DOE award(s) involved. The requirements of section 5b shall be incorporated unless prohibited or explicitly provided otherwise by statute, regulation, or the terms and conditions of the DOE award instrument(s).

3. In cases where the contract debt amount and associated interest are determined under other contractual terms and conditions (for example, cost accounting standards, defective pricing, or unallowable costs), the demand for payment should be modified accordingly.

4. Offices shall coordinate collection action on a particular claim with the cognizant contracting officer. If the contractor or financial assistance recipient challenges the contracting officer's determination on a claim through a formal dispute process or court action, the Field CFO or equivalent, in coordination with the contracting officer, shall determine whether to suspend collection action until the appeal or court action is resolved. However, late charges (interest, penalties, and administrative costs) on the outstanding amount of the debt shall continue to accrue during the formal appeal process or litigation, subject to final adjudication.

(c) Collections from Debtors.

1. All payments from debtors should be posted to the receivable in a timely fashion to preclude inappropriate follow-up notices and assessment of late charges.

2. There are three methods to satisfy an awardee's indebtedness: direct payment, recoupment, and administrative offset. The selection of the appropriate method is dependent upon the nature of the debt, the necessity for making contractual price adjustments and funding changes, and the feasibility of recoupment or offset.

   a. *Direct Payment.* A direct payment shall be required if the indebtedness involves a price adjustment and funding change or if recoupment cannot be effected within a reasonable period of time.

   b. *Recoupment.* Recoupment action should be initiated from amounts that are due or will become due within a reasonable period under the same award if the indebtedness does not involve a price

adjustment and funding change. The contracting officer and the Field CFO or equivalent shall coordinate on any recoupment action that requires that recoupment be made from amounts that will not become due to the awardee until more than 30 days after the date of the initial demand for payment. The contracting officer, or Field CFO or equivalent, as appropriate, shall provide the awardee with written advance notice of the recoupment action on the amount of the debt and late charges (interest, penalties, and administrative costs). The notice may be included in the demand for payment and follow up demands, if any. Recoupment shall not be used as a means to delay or avoid pricing adjustments or funding actions.

c. *Administrative Offset.* When payment has not been made by the payment due date, the Field CFO or equivalent may undertake action to administratively offset the debt and any late payment charges from payments owed the awardee on other Federal awards, in accordance with the provisions of section 6h.

3. The Field CFO or equivalent shall advise the contracting officer when a debt referred for collection is collected or compromised or when collection action is suspended or terminated.

6. DEBT COLLECTION.

a. Managing Delinquencies. The Field CFO or equivalent shall aggressively follow up on all delinquent receivables, whether they originated in that office or were referred to it for collection by another office or Federal agency. The Field CFO or equivalent shall coordinate with the cognizant contracting officer on collection actions related to claims that originate under acquisition or financial assistance agreements. The policy and procedures for collecting claims due from current and former DOE employees, including provision of due-process rights prior to collecting an indebtedness owed to the United States through salary or other administrative offset, are contained in DOE 533.1, Collection from Current and Former Employees for Indebtedness to the United States.

b. Payment Due Date. The payment due date is the date by which payment should be made to avoid late charges (i.e., interest, penalties, and administrative costs) and enforced collection. This should generally not be more than 30 days from the date that the demand letter is mailed or hand-delivered.

c. Date of Delinquency.

(1) Administrative Debt. In the case of administrative debts such as fines, fees, penalties, and overpayments, a debt becomes delinquent when payment is not made by the payment due date specified in the initial billing notice. *The date of delinquency is the date DOE mailed or delivered the billing notice.*

(2) **Loans or Repayment Agreements**. In the case of debt being paid in installments, a debt becomes delinquent when payment is not made by the payment due date or the end of the "grace period" as established in a loan or repayment agreement. *The date of delinquency is the payment due date.*

d. **Debt Collection Strategy**. Collection actions with regard to all claims arising out of the activities of, or referred to, the Department shall be made in an aggressive and timely manner in accordance with the provisions of this chapter. Each responsible organization shall implement a debt collection strategy designed to provide a systematic, uniform method for collecting accounts. Consideration should be given to collecting advance payments, when appropriate, to avoid having to initiate collection action.

(1) Heads of DOE Headquarters Elements and Field Elements or their designees must immediately notify the appropriate financial office of claims arising from their operations. A claim will be recorded and controlled by the responsible finance office upon receipt of documentation from a competent authority establishing the amount due.

(2) DOE will aggressively collect all debts arising out of DOE activities in accordance with the FCCS (31 CFR 900-904) and DOE's debt collection regulations (10 CFR 1015). Collection action shall be undertaken promptly with follow-up action taken as necessary.

(3) DOE will cooperate with other DOE offices and Federal agencies in its debt collection activities.

(4) DOE will transfer debts to Treasury for cross-servicing as soon as due process requirements are complete, usually at 61 days delinquent, but no later than 180 days delinquent. Upon transfer of debts for cross-servicing, all Departmental collection efforts shall be discontinued. On behalf of DOE, Treasury will take appropriate action to collect or compromise the transferred debt, or to suspend or terminate collection action thereon, in accordance with the statutory and regulatory requirements and authorities applicable to the debt and action. Appropriate action to collect a debt may include referral to another debt collection center, a private collection contractor, or the DOJ. (See section 6g.)

(5) A contractor using DOE funds for operations should not advance these funds to a contractor employee without a signed offset agreement from the employee. Attachment 8-1 is a sample contractor employee offset agreement for travel advances. In lieu of obtaining offset authorizations for each advance, it may be more appropriate to have the employee sign a blanket offset agreement for all amounts owed the employer. Contractors may make the right of offset a condition of employment.

e. Assessing Late Charges.

(1) The Debt Collection Act of 1982, as amended, requires DOE to assess three separate and distinct types of late charges:

(a) Interest accrues from the date of delinquency, or as otherwise provided by law. The date of delinquency is the day the invoice is mailed, hand delivered or otherwise transmitted to the debtor. The interest rate will be set at the same rate as the Treasury's Current Value of Funds Rate (CVFR) for the period in which the debt became delinquent. The CVFR is available on Treasury's website at www.fms.treas.gov. The rate of interest, as initially charged, shall remain fixed for the duration of the indebtedness. Interest is calculated based on a 365-day year except in a leap year, when it is calculated based upon a 366-day year. When a debtor defaults on a repayment agreement and seeks to enter into a new agreement, DOE may require payment of interest at a new rate that reflects the CVFR at the time the new agreement is executed. Interest shall not be compounded, that is, interest shall not be charged on interest, penalties, and administrative costs required by this section. If, however, a debtor defaults on a previous repayment agreement, charges that accrued but were not collected under the defaulted agreement shall be added to the principal under the new repayment agreement.

(b) Administrative Costs cover the cost associated with collecting a delinquent debt. Costs will be determined by the annual comparison of costs incurred and amounts collected, as required by the FCCS. (See section 4.)

(c) Penalty is set, by statute, at 6% per year. The penalty charge accrues from the date of delinquency, and is assessed on *any portion* of a debt that is outstanding for more than 90 days, including any interest and administrative costs.

(2) Contingency fees such as those charged by Treasury in the Cross-Servicing Program, by the DOJ for collections from litigation cases, or by a collection contractor, shall be added to the amount of the outstanding delinquency.

(3) When a debt is paid in partial or installment payments, amounts received by DOE shall be applied first to any contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal, as required in the FCCS (31 CFR 901.9).

(4) DOE shall waive the collection of interest and administrative costs imposed pursuant to this section on the portion of the debt that is paid within 30 days after the date on which interest began to accrue. DOE may extend this 30-

day period on a case-by-case basis. In addition, DOE may waive interest, penalties, and administrative costs charged under this section, in whole or in part, without regard to the amount of the debt, either under the criteria set forth in these standards for the compromise of debts, or if DOE determines that collection of these charges is against equity and good conscience or is not in the best interest of the United States.

(5) When a debtor requests a waiver or review of the debt, DOE will continue to accrue interest, penalties, and administrative costs during the period collection activity is suspended. Upon completion of DOE's review, interest, penalties, and administrative costs related to the portion of the debt found to be without merit will be waived.

(6) Referrals to Treasury for cross-servicing and to Justice for litigation should reflect late charges accrued through the date of the referral document regardless of whether they have been booked in the accounts.

(7) DOE is authorized to impose interest and related charges on debts not subject to 31 U.S.C. 3717, in accordance with the common law.

f. Administrative Review of the Debt. DOE shall consider any available evidence in response to a debtor's request for a review. Typically, the Field CFO or equivalent, or a designee, reviews and decides the existence and amount of the debt. However, on a case-by-case basis, the Field CFO or equivalent may request the Chairman of the Board of Contract Appeals to appoint a reviewing official to review and decide the existence and amount of a debt. In such a case, the Board of Contract Appeals reviewing official will conduct the review in accordance with procedures established by the Board of Contract Appeals. However, the Board of Contract Appeals reviewing official will conduct an oral hearing when the requirements of (1) of this section are met. In any case, the debtor's right to a hearing or review of the claim is as follows:

(1) Offices shall provide the debtor with a reasonable opportunity for an oral hearing when the debtor requests reconsideration of the debt and the Field CFO or equivalent, or a designee, determines that the question of the indebtedness cannot be resolved by review of the documentary evidence, for example, when the validity of the debt turns on an issue of credibility or veracity.

(2) Unless otherwise required by law, an oral hearing under this section is not required to be a formal evidentiary hearing, although offices should carefully document all significant matters discussed at the hearing.

(3) This section does not require an oral hearing with respect to debt collection systems in which a determination of indebtedness rarely involves issues of credibility or veracity and the Field CFO or equivalent, or a designee, has

determined that review of the written record is ordinarily an adequate means to correct prior mistakes.

(4) In those cases when this section does not require an oral hearing, offices shall accord the debtor a "paper hearing," that is, a determination of the request for reconsideration based upon a review of the written record.

(5) If the claim is disputed in full or in part, the debtor's written response to the demand for payment must include a request for review of the claim within DOE. If the debtor disputes the claim, the debtor shall explain why the debt is incorrect. The explanation should be supported by affidavits, canceled checks, or other available evidence. The written response must reach DOE by the payment due date. The demand letter must inform the debtor that supporting evidence must be submitted to DOE by the payment due date if it is to be considered in the review. A written response received after the payment due date may be accepted if the debtor can show that the delay was due to circumstances beyond the debtor's control or failure to receive notice of the time limit. The debtor's written response shall state the basis for the dispute. If only part of the claim is disputed, the undisputed portion should be paid by the date stated in the initial demand.

(6) The debtor shall be notified, within 30 days of receipt of the debtor's response whenever feasible, of whether determination of the debt has been sustained, amended, or canceled. If such action is not feasible within 30 days, the debtor should be notified, in writing, before the end of the 30-day period, that the request for waiver or reconsideration is being processed and that notification as to whether the determination of the debt is sustained, amended, or canceled will be forwarded by an estimated date. Normally, the results of the review should be forwarded to the debtor no later than 60 days after receipt of the debtor's request. If the determination is sustained or amended, the debtor shall be notified of DOE's intent to take additional collection action(s); for example, referring the delinquent debt to Treasury unless payment or request for reconsideration is received within 15 days of the mailing of the notification of the decision.

(7) The decision of the reviewing official becomes final unless, within 15 days of its receipt, the debtor requests reconsideration of the decision. In cases where the decision is made by a Board of Contract Appeals reviewing official, the DOE official who referred the case to the Chairman of the Board of Contract Appeals also may request reconsideration within 15 days of receipt of the decision. Reconsideration will be granted only on the grounds of an asserted error of law or new evidence that could not have been discovered before the decision through the exercise of due diligence by the requesting party or that was not available before the decision through no fault of the requesting party.

(8) When a debtor's written response to a demand for payment constitutes an appeal of or notice of court action on a claim that originated under an acquisition contract or financial assistance instrument, the Field CFO or equivalent shall refer the matter to the cognizant contracting officer for action. The Field CFO or equivalent, in coordination with the contracting officer, shall determine whether to suspend collection action until the resolution of the appeal or court action; however, late charges shall continue to accrue during the formal appeal process or litigation.

g. Department of Treasury Cross-Servicing and Administrative Offset Programs. Pursuant to the DCIA, debts delinquent over 180 days must be transferred to Treasury for cross-servicing (collection of debts on behalf of DOE) or for administrative offset (Treasury Offset Program-TOP). The Department has executed an agreement with Treasury formalizing its participation in the Cross-Servicing Program, which contains all Treasury and Departmental responsibilities. As part of the Cross-Servicing Program, Treasury will submit debts to TOP on behalf of the Department for administrative offset.

(1) Mandatory transfer of debts to Treasury.

(a) DOE will transfer debts to Treasury for collection action in the Cross-Servicing Program as soon as due process requirements are complete, usually at 61 days delinquent, but no later than 180 days delinquent. On behalf of DOE, Treasury will take appropriate action to collect or compromise the transferred debt, or recommend DOE suspend or terminate collection action thereon, in accordance with the statutory and regulatory requirements and authorities applicable to the debt and action. Upon transfer of debts for cross-servicing, all Departmental collection efforts shall be discontinued. For accounting and reporting purposes, the debt remains on the books and records of the DOE office that transferred the debt.

(b) Before referring the debt to Treasury, offices must ensure that the debtor:

1. Has been sent written notice of the type and amount of the debt, the intention of Treasury to use administrative offset and other tools to collect the debt on behalf of DOE, and

2. Has been given:

a. The opportunity to inspect and copy DOE records related to the debt;

b. The opportunity for a review within DOE of the determination of indebtedness; and

c. The opportunity to make a written agreement to repay the debt.

3. Has been given 60 days notice before transfer to Treasury to comply with consumer credit bureau reporting requirements.

(c) When DOE previously has given a debtor any of the required notice and review opportunities with respect to a particular debt, DOE need not duplicate such notice and review opportunities before administrative offset may be initiated.

(d) When DOE refers delinquent debts to Treasury, DOE must certify, in a form acceptable to Treasury, that the debts are past due and legally enforceable; and DOE has complied with all due process requirements under 31 U.S.C. 3716(a) and DOE regulations. Certification forms are available on Treasury's website at www.fms.treas.gov or in FMS's Cross-Servicing Implementation Guide. Certification should be made by the supervisor of the employee responsible for debt collection.

1. A debt is legally enforceable if there has been a final DOE determination that the debt, in the amount stated, is due and there are no legal bars to collection action. Where, for example, a debt is the subject of a pending administrative review process required by statute or regulation and collection action during the review process is prohibited, the debt is not considered legally enforceable for purposes of mandatory transfer to FMS and is not to be transferred even if the debt is more than 180 days past-due.

2. When a final DOE determination is made after an administrative appeal or review process, the DOE office must transfer such debt to FMS, if more than 180 days delinquent, within 30 days after the date of the final decision.

3. Nothing in this section is intended to impact the date of delinquency of a debt for other purposes such as for purposes of accruing interest and penalties.

(e) When a debt is referred to Treasury it is more likely than not that a receivable will not be totally collected, and an allowance should be established.

(f) DOE offices are not required to transfer to FMS, debts that are less than $25 (including interest, penalties, and administrative costs), or such other amount as FMS may determine. Offices may transfer debts less than $25 to FMS if DOE, in consultation with FMS, determines that transfer is important to ensure compliance with DOE's policies or programs. Offices may combine individual debts of less than $25 owed by the same debtor

for purposes of meeting the $25 threshold. In addition, FMS has determined that it is not cost effective to refer debts under $100 for cross-servicing if no TIN is available. FMS will continue to accept these debts and refer them to TOP if a TIN is available, however, offices should seriously consider write-off if they have had no response to notices, they do not have a TIN, and the debt is less than $100. Also, the debt must be $100 in order for FMS to refer it to a Private Collection Agency.

(g) Treasury is authorized to charge a fee for services rendered regarding referred or transferred debts. DOE will add the fee to the debt as a contingency fee.

(2) Exceptions to mandatory transfer.

(a) Offices are not required to transfer a debt to FMS when the debt:

1. Is in litigation or foreclosure as described in (b) of this section;

2. Is being collected by internal offset as described in (c) of this section; or

3. Is covered by an exemption granted by the Secretary of the Treasury. There are currently no DOE debts that are covered by an exemption.

(b) A debt is in litigation if:

1. The debt has been referred to the Attorney General (DOJ) for litigation by DOE; or

2. The debt is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy proceedings, whether initiated by the creditor agency, the debtor, or any other party.

(c) A debt is being collected by internal offset if an office expects the debt to be collected in full within three (3) years from the date of delinquency through internal offset. "Internal offset" means withholding of funds payable by the DOE to the debtor to satisfy, in whole or part, the debt owed to the DOE by that debtor.

h. Administrative Offset. Administrative offset occurs when the Government withholds or intercepts moneys due to, or held by the Government for, a person to offset amounts owed to the Government. Fair and prudent decisions shall be made that protect DOE's financial interests, give appropriate consideration to the debtor, give full consideration to all Government interests, and ensure that the proper process is followed. Federal employee salary offset and tax refund offset are types of administrative offset, although each program is subject to its own

distinct regulatory requirements. Administrative Offset regulations are contained in the FCCS at 31 CFR 901.3.

(1) Time Available. Unless otherwise provided by law, administrative offset of payments to collect a debt under the authority of 31 U.S.C. 3716 may not be conducted more than 10 years after the DOE's right to collect the debt first accrued, unless facts material to the DOE's right to collect the debt were not known and could not reasonably have been known by the official or officials of the Government who were charged with the responsibility to discover and collect such debts. This limitation does not apply to debts reduced to a judgment.

(2) Mandatory Centralized Administrative Offset.

(a) DOE is required to transfer all debts over 180 days delinquent to Treasury for purposes of debt collection (i.e., cross-servicing). Administrative offset is one type of collection tool used by Treasury to collect debts transferred. Thus, by transferring debts to Treasury, DOE will satisfy the requirement to notify Treasury of debts for the purposes of administrative offset and duplicate referrals are not required. A debt, which is not transferred to Treasury for purposes of debt collection, however, may be subject to the DCIA requirement of notification to Treasury for purposes of administrative offset.

(b) As required in 31 CFR 901.3 (b)(4), DOE will refer a delinquent debt to Treasury for administrative offset, only after DOE has completed the procedures required in section 6g(1)(b)*1-2*.

(c) DOE may omit the procedures in section 6g(1)(b)*1-2* when:

1. The offset is in the nature of a recoupment;

2. The debt arises under a contract as set forth in Cecile Industries, Inc. v. Cheney, 995 F.2d 1052 (Fed. Cir. 1993) (Notice and other procedural protections set forth in 31 U.S.C. 3716(a) do not supplant or restrict established procedures for contractual offsets accommodated by the Contracts Disputes Act); or

3. In the case of non-centralized administrative offsets conducted under (3) of this section, DOE first learns of the existence of the amount owed by the debtor when there is insufficient time before payment would be made to the debtor/payee to allow for prior notice and an opportunity for review. When prior notice and an opportunity for review are omitted, DOE shall give the debtor such notice and an opportunity for review as soon as practicable and shall promptly refund any money ultimately found not to have been owed to the Government.

(d) The names and TINs of debtors who owe debts that have been referred to Treasury shall be compared to the names and TINs on payments to be made by Federal disbursing officials. Federal disbursing officials include disbursing officials of Treasury, the Department of Defense, the United States Postal Service, other Government corporations, and disbursing officials of the United States designated by the Secretary of Treasury. When the name and TIN of a debtor match the name and TIN of a payee and all other requirements for offset have been met, the payment will be offset to satisfy the debt.

(e) Treasury will notify the debtor/payee in writing that an offset has occurred to satisfy, in part or in full, a past due, legally enforceable delinquent debt. The notice shall include a description of the type and amount of the payment from which the offset was taken, the amount of offset that was taken, the identity of DOE as the creditor agency requesting the offset, and a contact point within DOE who will respond to questions regarding the offset.

(3) Non-centralized Administrative Offset.

(a) Generally, non-centralized administrative offsets are ad hoc case-by-case offsets that DOE conducts, at DOE's discretion, internally or in cooperation with the agency certifying or authorizing payments to the debtor. Unless otherwise prohibited by law, when centralized administrative offset is not available or appropriate, past due, legally enforceable nontax delinquent debts may be collected through non-centralized administrative offset. In these cases, DOE may make a request directly to a payment-authorizing agency to offset a payment due a debtor to collect a delinquent debt. For example, it may be appropriate to request that the Office of Personnel Management (OPM) offset a Federal employee's lump sum payment upon leaving Government service to satisfy an unpaid advance.

(b) DOE shall comply with offset requests by other agencies to collect debts owed to the United States, unless the offset would not be in the best interests of the United States with respect to the program of the payment authorizing agency, or would otherwise be contrary to law. Appropriate use should be made of the cooperative efforts of other agencies in effecting collection by administrative offset.

(c) When collecting multiple debts by non-centralized administrative offset, DOE should apply the recovered amounts to those debts in accordance with the best interests of the United States, as determined by the facts and circumstances of the particular case, particularly the applicable statute of limitations.

(d) DOE may request OPM to offset a debtor's anticipated or future benefit payments under the Civil Service Retirement and Disability Fund and the Federal Employee Retirement System (FERS). Upon providing OPM written certification that a debtor has been afforded the procedures provided in g(1)(b) of this section, DOE may request OPM to offset a debtor's anticipated or future benefit payments under the Civil Service Retirement and Disability Fund in accordance with regulations codified at 5 CFR 831.1801-831.1808 and under the FERS in accordance with regulations codified at 5 CFR 845.401-845.408. Upon receipt of such a request, OPM will identify and "flag" a debtor's account in anticipation of the time when the debtor requests, or becomes eligible to receive, payments from OPM. This will satisfy any requirement that offset be initiated prior to the expiration of the time limitations referenced in h(1) of this section.

i. Reporting Debts to Credit Bureaus.

(1) DOE should report delinquent debts to credit reporting agencies in accordance with 31 U.S.C. 3711(e), the DCIA, the revised FCCS (31 CFR parts 900-904), the OMB Circular A-129 (Revised), and other applicable authorities. DOE is required to report delinquent consumer debt as soon as the debtor has been given the 60-day notice of intent to report to a credit bureau. This notice should be part of the initial notice to the debtor. (See section 5b(1).) The 60-day notice of intent to report to a credit bureau is not required for commercial accounts. DOE shall ensure that all of the rights and protections afforded to the debtor under 31 U.S.C. 3711(e) have been fulfilled. Additional guidance is contained in Treasury's "Guide to the Federal Credit Bureau Program" of October 2001.

(2) Offices should refer debts 60 days delinquent to Treasury for purposes of debt collection (i.e., cross-servicing) to comply with DCIA credit bureau reporting requirements. As part of its regular debt collection procedures, Treasury will report debts it is collecting on behalf of DOE to the appropriate designated credit reporting agencies. A debt not transferred to Treasury for purposes of debt collection, however, may be subject to the DCIA requirement to report all non-tax delinquent debts to credit reporting agencies.

j. Credit Reports. To aid DOE in making appropriate determinations as to the collection and compromise of claims; the collection of interest, penalties, and administrative costs; and the likelihood of collecting the claim, DOE may institute a credit investigation of the debtor at any time following receipt of knowledge of the claim. As part of its regular debt collection procedures, Treasury may also institute a credit investigation of the debtor on behalf of DOE.

k. **Contracting With Private Collection Contractors and With Entities That Locate and Recover Unclaimed Assets.**

(1) DOE may contract with private collection contractors in accordance with 31.U.S.C 3718(d), the DCIA, the revised FCCS (31 CFR parts 900-904), and other applicable authorities. As part of its regular debt collection procedures, Treasury may refer delinquent debts to private collection contractors on behalf of DOE.

(2) DOE may enter into contracts for locating and recovering assets of the United States, such as unclaimed assets. The Office of Financial Policy will establish procedures acceptable to Treasury for entering into contracts to recover assets of the United States held by a state.

(3) DOE may enter into contract for debtor asset and income search reports. In accordance with 31 U.S.C. 3718(d), such contracts may provide that the fee a contractor charges DOE for such services may be payable from the amounts recovered, unless otherwise prohibited by statute.

l. **Suspension or Revocation of Eligibility for Loans and Loan Guaranties, Licenses, Permits, or Privileges.** Unless waived by the Secretary of DOE, or designee, DOE is not permitted to extend financial assistance in the form of a loan, loan guarantee, or loan insurance to any person delinquent on a nontax debt owed to a Federal agency. This prohibition does not apply to disaster loans. The authority to waive the application of this section may be delegated to the Chief Financial Officer and redelegated only to the Deputy Chief Financial Officer of DOE. DOE may extend credit after the delinquency has been resolved. (See 31 CFR 285.13, Barring Delinquent Debtors From Obtaining Federal Loans or Loan Insurance or Guarantees.)

m. **Administrative Wage Garnishment.** DOE may use administrative wage garnishment to collect money from a debtor's disposable pay to satisfy delinquent debt. Treasury issued regulations implementing the administrative wage garnishment provisions contained in the DCIA at 31 CFR 285.11. As part of its regular debt collection procedures, Treasury may use administrative wage garnishment on behalf of DOE.

n. **Tax Refund Offset.** DOE may authorize the IRS to offset a tax refund to satisfy delinquent debt in accordance with 31 U.S.C. 3720A. Treasury issued regulations implementing tax refund offset as part of Treasury's mandatory centralized offset at 31 CFR 285.2. As part of its regular debt collection procedures, Treasury may use tax refund offset on behalf of DOE.

o. **Liquidation of Collateral.** DOE should liquidate security or collateral through the exercise of a power of sale in the security instrument or a nonjudicial foreclosure, and apply the proceeds to the applicable debt(s), if the debtor fails to

pay the debt(s) within a reasonable time after demand and if such action is in the best interest of the United States. Collection from other sources, including liquidation of security or collateral, is not a prerequisite to requiring payment by a surety, insurer, or guarantor unless such action is expressly required by statute or contract.

p. Use and Disclosure of Mailing Addresses.

(1) When attempting to locate a debtor to collect or compromise a debt under 31 CFR 900-904 or other authority, DOE may send a request to the Secretary of Treasury (or designee) to obtain a debtor's mailing address from the records of the Internal Revenue Service.

(2) DOE is authorized to use mailing addresses obtained under (1) of this section to enforce collection of a delinquent debt and may disclose such mailing addresses to other agencies and to collection agencies for collection purposes.

q. Installment Payments.

(1) Whenever possible, an overdue debt should be collected in a single lump sum. If the debtor claims financial inability to repay the debt in a single lump sum, DOE may accept payment in regular installments. DOE should obtain a current financial statement showing the debtor's assets, liabilities, income and expenses from debtors who represent that they are unable to pay in one lump sum, and independently verify such representations whenever possible. DOE may also obtain credit reports or other financial information to assess installment requests. DOE may use their own financial information form or a DOJ form, such as the Financial Statement of Debtor (OBD-500).

(2) Upon agreeing to installment payments, the debtor and DOE must execute a legally enforceable written agreement, signed by the Field CFO or equivalent, or a designee, that specifies all terms of the arrangement and that contains a provision accelerating the debt in the event the debtor defaults.

(3) When DOE obtains a written agreement with the debtor, the finance office should maintain documentation sufficient to demonstrate that the debtor signed the note knowingly and voluntarily.

(4) Security for deferred payments should be obtained in appropriate cases.

(5) At the option of the Field CFO or equivalent installment payments may be accepted notwithstanding the refusal of a debtor to execute a written agreement or to give other security.

(6) Installment agreements should require debtors to use a preauthorized debit to make the required installment payments, if available.

r. **Litigation**. Debts will usually be referred for litigation by Treasury as part of the collection process in the cross-servicing program. The following will apply if the servicing finance office refers a debt directly to DOJ.

(1) **Referral of Claims.** The Field CFO or equivalent, in coordination with the General Counsel or the Office of Chief Counsel at the field location, is responsible for timely referral of claims to DOJ for litigation or review. DOE shall not refer claims less than $2,500, exclusive of interest, penalties, and administrative costs, or such other amount as the Attorney General shall from time to time prescribe. The Field CFO or equivalent shall prepare the referral package in accordance with 31 CFR 904, Referrals to the Department of Justice, and submit it, through the Office of General Counsel at Headquarters, or the Office of Chief Counsel at the field location, to DOJ. Claims should be referred no later than 1 year from the date such claims became delinquent.

(2) **Preservation of Evidence**. Care must be taken to preserve all files, records, and exhibits on claims referred or to be referred to DOJ for litigation. Under no circumstances shall original documents be sent to DOJ or the U.S. Attorney without specific prior approval of DOJ or the U.S. Attorney. Copies of relevant documents should be sent whenever necessary.

(3) **Follow-up.** The Field CFO or equivalent must establish a tracking system to account for cases referred to and returned from DOJ. Action should be taken periodically to determine the status of referred claims. Some suggested follow-up frequencies are as follows: at least monthly for recommended compromises and doubtful claims, and at least quarterly for recommended suspensions or terminations and claims referred for litigation.

s. **Audit Exceptions Taken by GAO**. Claims arising from audit exceptions taken by GAO to payments made by DOE must be referred to GAO for review and approval prior to referral to DOJ for litigation.

t. **Interagency Claims**. Claims that cannot be resolved by negotiation between the involved Federal agencies should be submitted to the Attorney General as directed by Executive Order 12146.

7. **COMPROMISE**. The CFO or the Heads of Field Elements, or designees, may compromise claims arising out of Departmental activities where the claims, exclusive of interest, penalties, and administrative costs, do not exceed $100,000 or such higher amount as the Attorney General may prescribe (31 U.S.C. 3711). Any further delegation of this authority must be in writing.

a. **Criteria for Compromise**. A compromise may be considered when one or more of the following criteria apply or DOE is notified by Treasury through the cross-servicing program that one or more of the following criteria apply:

(1) The debtor is unable to pay within a reasonable time period. In determining the debtor's inability to pay, DOE should consider relevant factors such as the age and health of the debtor; present and potential income; inheritance prospects; the possibility that assets have been concealed or improperly transferred by the debtor; and the availability of assets or income that may be realized by enforced collection proceedings.

To assess the merits of a compromise offer based in whole or in part on the debtor's inability to pay the full amount of a debt within a reasonable time, DOE should obtain a current financial statement from the debtor, executed under penalty of perjury, showing the debtor's assets, liabilities, income and expenses. DOE also may obtain credit reports or other financial information to assess compromise offers. DOE may use their own financial information form or a DOJ form, such as the Financial Statement of Debtor (OBD-500).

(2) The agency is unable to enforce collection within a reasonable time period. DOE should consider the applicable exemptions available to the debtor under state and Federal law in determining DOE's ability to enforce collection. DOE may also consider uncertainty as to the price that collateral or other property will bring at a forced sale in determining the Government's ability to enforce collection. A compromise effected under this section should be for an amount that bears a reasonable relation to the amount that can be recovered by enforced collection procedures, with regard to the exemptions available to the debtor and the time that collection will take.

(3) The cost of collection does not justify enforced collection of the full amount. DOE may compromise a debt if the cost of collecting the debt does not justify the enforced collection of the full amount. The amount accepted in compromise in such cases may reflect an appropriate discount for the administrative and litigative costs of collection, with consideration given to the time it will take to effect collection. Collection costs may be a substantial factor in the settlement of small debts. In determining whether the cost of collecting justifies enforced collection of the full amount, DOE should consider whether continued collection of the debt, regardless of cost, is necessary to further an enforcement principle, such as the Government's willingness to pursue aggressively defaulting and uncooperative debtors.

(4) There is a real doubt concerning the Government's ability to prove its case in court. If there is significant doubt concerning the Government's ability to prove its case in court for the full amount claimed, either because of the legal issues involved or because of a bona fide dispute as to the facts, then the amount accepted in compromise of such cases should fairly reflect the

probabilities of successful prosecution to judgment, with due regard given to the availability of witnesses and other evidentiary support for the Government's claim. In determining the litigative risks involved, DOE should consider the probable amount of court costs and attorney fees pursuant to the Equal Access to Justice Act, 28 U.S.C. 2412 that may be imposed against the Government if it is unsuccessful in litigation.

b. **Enforcement policy.** Pursuant to this part, DOE may compromise statutory penalties, forfeitures, or claims established as an aid to enforcement and to compel compliance, if DOE's enforcement policy in terms of deterrence and securing compliance, present and future, will be adequately served by DOE's acceptance of the sum to be agreed upon.

c. **Joint and Several Liability**. When two or more debtors are jointly and severally liable, collection action shall not be withheld against one such debtor until the other or others pay their proportionate share. No attempt should be made to allocate the burden of paying such claims among the debtors; rather, DOE should proceed to liquidate the indebtedness as quickly as possible. Care should be taken that a compromise agreement with one such debtor does not release DOE's claim against remaining debtors. The amount of a compromise with one such debtor shall not be considered a precedent or as morally binding in determining the amount that will be required from other debtors jointly and severally liable on the claim.

d. **Further review of compromise offers.** If DOE is uncertain whether to accept a firm, written, substantive compromise offer on a debt that is within DOE's delegated compromise authority, it may refer the offer to the Civil Division or other appropriate litigating division in the DOJ, using a CCLR accompanied by supporting data and particulars concerning the debt. The DOJ may act upon such an offer or return it to DOE with instructions or advice.

e. **Consideration of tax consequences to the Government.** In negotiating a compromise, DOE should consider the tax consequences to the Government. In particular, DOE should consider requiring a waiver of tax-loss-carry-forward and tax-loss-carry-back rights of the debtor.

f. **Mutual releases of the debtor and the Government.** In all appropriate instances, a compromise that is accepted by DOE should be implemented by means of a mutual release, in which the debtor is released from further non-tax liability on the compromised debt in consideration of payment in full of the compromise amount and the Government and its officials, past and present, are released and discharged from any and all claims and causes of action arising from the same transaction that the debtor may have. In the event a mutual release is not executed when a debt is compromised, unless prohibited by law, the debtor is still deemed to have waived any and all claims and causes of action

against the Government and its officials related to the transaction giving rise to the compromised debt.

g. **Restrictions**. Neither a percentage of a debtor's profits nor stock in a debtor corporation will be accepted in compromise of a claim. In negotiating a compromise with a business concern, consideration should be given to requiring a waiver of the tax loss-carryforward and tax loss-carryback rights of the debtor.

8. WRITE-OFF, USE OF CURRENTLY NOT COLLECTIBLE, TERMINATION OF COLLECTION ACTION, AND CLOSE-OUT.

a. **Authority**. The authority to compromise or terminate collection action on claims for violations of the Emergency Petroleum Allocation Act of 1973 is vested in DOJ, regardless of the amount of the claim. Authority for all other claims that do not exceed $100,000, or such higher amount as the Attorney General may prescribe, and authority to recommend such actions to DOJ on claims that exceed the $100,000 threshold rests with the CFO or the Heads of Field Elements, or designees. DOE must refer an account to DOJ for its concurrence on compromising or terminating collection action on claims where such concurrence is required, but the authority to write off claims as administratively uncollectible rests solely with the CFO or the Heads of Field Elements, or designees, regardless of the dollar amounts involved. Receivables may be written off the accounts of the Department while DOJ or the Office of Hearings and Appeals are actively pursuing the claims. (See 8b of this section.) Redelegation of CFO or Head of Field Element authority to write off claims must be in writing. The written redelegation must indicate clearly the designee, preferably by title or position, and the dollar limits of the authority. The dollar limits of a designee's authority shall be consistent with the requirement that the write-off of progressively higher amounts be authorized by progressively higher officials. The signatures of all officials participating or concurring in each write-off decision shall be obtained before the debt is written off.

b. **Write-off**. "Write-off" is an accounting procedure separate and distinct from the legal procedures of "termination" and "suspension of collection."

c. **Criteria for write-off.** As directed in OMB Circular A-129, Appendix A, write-off should occur when an office determines that the likelihood of collection is less than 50%, but no later than two years from the date of delinquency unless documented and justified to OMB in consultation with Treasury. It is not necessary for write-off, termination of collection activity, and close-out to occur simultaneously, since legal and accounting procedures may follow different timetables. For example, a debt in litigation, and more than two years delinquent must be written off. However, since legal proceedings are not complete, collection action will not be terminated at this time. Instead, the debt will be written off and reported as "currently not collectible" (CNC) on the Treasury

Report on Receivables (TROR). At the completion of the legal action, collection action will be terminated and the debt closed out, if appropriate.

(1) All debt must be adequately reserved for in the allowance account. All write-offs must be made through the allowance account. Under no circumstances are debts to be written off directly to expense. Receivables that have been approved for write-off shall be recorded in the accounting records in accordance with entries prescribed in the Standardized Pro Forma Accounting Transactions Document maintained by the EFASC.

(2) Once the debt is written-off, the field office must either classify the debt as CNC, or terminate collection action and close out the debt. Treasury will recommend write-off and termination of collection action for debts that have been referred to the cross-servicing program and report the debts to IRS on the appropriate Form 1099 for DOE. Offices must, therefore, promptly write off debts when they receive the recommendation to do so from Treasury.

d. Use of Currently Not Collectible. Cost effective collection efforts should continue, specifically, if DOE determines that continued collection efforts after mandatory write-off are likely to yield higher returns. In such cases the written-off debt is not closed out but classified as CNC and reported on the TROR as written-off and "currently not collectible." The collection process continues until the agency determines it is no longer cost effective to pursue collection. At that point, collection action is terminated and the debt should be closed-out.

e. Termination of Collection Action. Termination of collection action ceases active collection of the debt. Offices may terminate collection activity when:

(1) DOE is unable to collect any substantial amount through its own efforts or through the efforts of others;

(2) DOE is unable to locate the debtor;

(3) Costs of collection are anticipated to exceed the amount recoverable;

(4) The debt is legally without merit or enforcement of the debt is barred by any applicable statute of limitations;

(5) The debt cannot be substantiated; or

(6) The debt against the debtor has been discharged in bankruptcy.

f. Close-out. Close-out, or discharging a delinquent debt, occurs when an office determines that additional future collection efforts on a written-off, terminated debt would be futile. Discharge of indebtedness is distinct from termination of collection activity and is governed by the Internal Revenue Code. When

collection action on a debt is terminated, the debt remains delinquent and further collection action may be pursued at a later date in accordance with the FCCS at 31 CFR 903.3. When DOE discharges a debt in full, or in part, further collection action is prohibited. Before discharging a debt, offices must terminate debt collection action and report the amount of a debt to the IRS on Form 1099-C, "Cancellation of Indebtedness." Treasury will prepare Form 1099-C for debts that have been referred to Treasury in the cross-servicing program. Responsible offices must prepare Form 1099-C for debts that were not referred to Treasury as directed in Chapter 5 of FMS's "Managing Federal Receivables."

g. **Documentation**. Compromised amounts and administratively uncollectible receivables which have been written-off or collection action has been terminated shall be recorded in a manner sufficient to support the write-off or termination. This includes written approval to write off or terminate the compromised amount or receivable, and the signatures of all officials participating or concurring in the write-off or termination decision. The approval and signatures should be kept with the applicable receivable.

h. **Suspension of Collection Activity**. Collection activity may be suspended when one or more of the following criteria apply:

(1) The office is unable to locate the debtor.

(2) The debtor owns no substantial equity in property and is unable to make payments, but the debtor's future financial prospects justify retaining the debt *and* the statute of limitations has tolled or future collections may be realized through administrative offset, or the debtor has agreed to pay the interest accruing on the debt during the suspension.

(3) The debtor has requested a waiver or administrative review of the debt.

i. **Reinstatements and Collections**. Upon receipt of a collection against a written-off receivable, the account should be reestablished for the amount of the collection. The collection is then processed in the same manner as it would have been if the receivable had never been written off. If a collection is received after a receivable has been referred to GAO, DOJ, or a collection agency, inform the appropriate office as soon as possible.

9. **DOE REPORTING REQUIREMENTS**. Pursuant to I TFM 2-4100, DOE is required to submit a Report on Receivables to the Department of the Treasury each quarter. Each finance office shall submit information on receivables to the EFASC for consolidation in the DOE TROR prepared and submitted in accordance with instructions issued by the EFASC.

ATTACHMENT 8-1

SAMPLE CLAUSE FOR TRAVEL AUTHORIZATIONS AND OTHER DOCUMENTS USED FOR ADVANCING FUNDS TO CONTRACTOR EMPLOYEES

I hereby agree to submit an approved Travel Expense Report 5 days after official travel is completed. If the advance received exceeds the allowed reimbursable costs, the excess will be repaid at the time the Travel Expense Report is submitted. In light of IRS regulations (26 CFR 1.62), which require excess advances to be reported as taxable income, I also agree that any advance I have received may be withheld from my salary or other moneys due me if I have not repaid the advance or substantiated the expenses within 60 days of the End-of-Trip-Date for which the advance was received.

_____

Traveler's Signature

CHAPTER 9

ACCOUNTING FOR INVENTORY AND RELATED PROPERTY

1. INTRODUCTION.

a. Purpose. This chapter establishes the DOE inventory and related property managerial accounting policies and general procedures defined by statutory requirements, FASAB, and other Federal guidance as required.

b. Background. In the Department of Energy (DOE), the term "inventory" has been used broadly to cover inventory, materials, and other related property. In this chapter the term is used as defined in the Statement of Federal Financial Accounting Standards No. 3 (SFFAS No. 3), "Accounting for Inventory and Related Property," promulgated by the Office of Management and Budget (OMB) on October 27, 1993. In this context, inventory includes tangible personal property that is for sale or in production for sale. The primary elements of related property include crude oil held in the Strategic Petroleum Reserve and the Northeast Home Heating Oil Reserve, nuclear materials, operating materials and supplies. These categories include work-in-process, finished goods, production materials, raw materials, stock held for sale or use, and other subcategories. Excluded from inventory and related property are plant and capital equipment. When it is necessary to distinguish inventory for sale, operating materials, or stockpile materials and so forth, these terms have been used. The term "materials" is used when referring to operating materials and supplies, stockpile materials, or both. The financial inventory management and control procedures include those established by the Federal Accounting Standards Advisory Board (FASAB), the Comptroller General, OMB, and Federal statutes. The standards to be used in accounting for inventory and related property are contained in SFFAS No. 3. Attachment 9-1 contains a list of definitions relating to inventory.

c. Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview," of the *DOE Accounting Handbook*.

d. Policy.

(1) All DOE inventory and related property shall be controlled to ensure compliance with Federal requirements for prevention of waste, fraud, and mismanagement of resources.

(2) Inventory and related property under financial control shall be recorded as assets in standard general ledger (SGL) accounts from the time of acquisition until issued for use, sold, consumed, or disposed of in the normal course of operations.

(3) Inventory and related property controls shall include completion of physical counts at prescribed intervals and, when appropriate, control by use of perpetual records. Physical counts and quantity records shall be reconciled and adjusting entries prepared to bring physical and financial records into agreement. If products are too hazardous or inaccessible for a physical count, alternative means (such as perpetual records and measuring techniques) shall be used to establish quantities.

(4) Inventory and related property records (both quantity and financial) shall be controlled by reconciliation of subsidiary and control accounts with the standard general ledger financial control accounts at least annually.

(5) Records shall be maintained that disclose the reconciliation of costs and quantities. Inventory and related property shall be reconciled with the quantitative reports of the appropriate quantity accountability system.

2. REFERENCES.

a. Department of Energy Property Management Regulations (DOE-PMR), under Title 41, Chapter 109, of the Code of Federal Regulations (41 CFR 109).

b. DOE Orders 410, 470, and 5660 Series, which provide for control, accountability and management of nuclear materials.

c. Office of Management and Budget statement of Federal Financial Accounting Standards Number 3, "Accounting for Inventory and Related Property."

d. National Nuclear Security Administration (NNSA), *Production Accounting Handbook*.

3. REVIEW AND IMPLEMENTATION OF PROCEDURES. Heads of Organizations shall be responsible for the following:

a. Reviewing inventory and related property procedures established by each organization under their cognizance to ensure that procedures provide adequate controls and are in accordance with prescribed policies;

b. Reviewing and approving detailed procedures for the taking of physical counts and any authorized procedures permitting test-check verification;

c. Maintaining a workable interface between quantity and financial records for inventory or related property;

d. For nuclear material processing and recovery, ensuring that facilities establish salvage values consistent with these regulations for each type of recoverable nuclear material. These salvage values shall be used consistently to calculate net realizable values for salvageable materials to be recorded in financial systems. When changed economic conditions require a change in the established salvage values, the new values will be provided to those offices that need the information for use in decision-making;

e. Encouraging the use of performance measures to assist in the management of inventory and related property;

f. Requiring that sub-tier organizations (subcontractors, etc.) report to DOE or its major site/facility operating contractors on the status of DOE-owned inventory and related property held by the sub-tier organizations.

4. ACCOUNTING FOR INVENTORY AND MATERIALS.

a. **Acquisition.** Generally, inventory or materials acquired shall be recorded at the actual cost of acquisition, which includes the net purchase price (gross billing less discounts) plus packing, transportation, docking, and related charges required to place the inventory or material in storage ready for issue. Nuclear materials produced are recorded at the actual cost of production. Inventory or materials transferred will be recorded at actual cost, or standard transfer value (STV) when an STV has been established. Oil produced from the Naval Petroleum Reserve (NPR) qualifies under a valuation exception in SFFAS No. 3 and is carried at expected net realizable value.

b. **Inventory and Materials Valuation.** Inventory and materials shall be valued at historical cost. Historical cost includes all appropriate purchase and production costs incurred to bring an item to its current condition and location. The cost flow assumptions used will be moving average, weighted average, or first-in, first-out (FIFO). Moving average is a costing method under which an average unit cost is computed after each

acquisition. Weighted average is a costing method under which an average unit cost is computed periodically. It is acceptable to value inventory for sale at expected net realizable value if three criteria are met: (1) there is an inability to determine approximate cost; (2) the items have immediate marketability at quoted prices; and (3) there is unit interchangeability of the items. Perpetual records will reflect these cost flow assumptions. Valuation methods are shown in Attachment 9-2.

c. Operating Materials and Supplies. Operating materials and supplies consist of tangible personal property to be consumed in normal operations and should be valued using the consumption method. However, the purchases method allows operating materials and supplies to be expensed when purchased. The purchases method of valuation may be used if (1) the operating materials and supplies are not significant dollar amounts; (2) they are in the hands of the end user for use in normal operations; or (3) it is not beneficial to apply the consumption method of accounting.

d. Goods Manufactured or Produced in DOE Facilities.

(1) The cost of items manufactured or produced includes applicable direct and indirect costs, including depreciation, that are incurred in converting or fabricating inventory or materials into usable forms. Costs that relate to selling and administration are not inventory or related material costs. Applicable Cost Accounting Standards (CAS) and FASAB SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards," provisions will be followed in accumulating and allocating costs to products produced or manufactured.

(2) Usable byproducts should be assigned some cost. If actual cost cannot be determined, a portion of the total cost of the products produced may be assigned to the byproducts based on a recognized accounting practice such as relative market values. If market values cannot be determined, realistic market value estimates or engineering cost estimates may be used. The methods used for arriving at cost must be in accordance with CAS, or SFFAS No. 4, as supported by Generally Accepted Accounting Principles (GAAP).

e. Return of Previously Issued Items to Stock.

(1) New Items. Items previously issued from stock that are returned to stock in new condition shall be valued at the current unit cost for like items at the time of return.

(2) **Used Items.** For items returned to stock in used condition, if the returned items can be used without being reworked, the returned items shall be valued at their fair value at the time of return. If they are reworked, value them as new items and expense any excess rework cost. The Power Marketing Administrations shall follow procedures provided by Federal Energy Regulatory Commission guidelines in Title 18, Chapter 1, Subchapter C, Part 101, of the Code of Federal Regulations for reusable material in utility operations.

f. **Cost Recognition.** Inventory or materials to be expended (costed) will be removed from the capital account at the carrying value (book value) of the item. Losses should be recognized on the accounting records as soon as they are known or estimable. At the time that title passes to a purchaser, the goods are delivered to the purchaser, or the goods are used in the provision of a service, the related expense shall be recognized and the cost of the goods shall be removed from the inventory or materials account. Expense recognition is also necessary when there is no future benefit to be derived by the entity from an asset. As inventory or material is sold, the cost must be charged to the cost of goods sold in order to achieve a matching of cost and revenue. Inventory or material is to be reported as an operating expense in the period in which it is issued to an end-user for consumption in normal operations.

g. **Inventory or Material Gains/Losses.** Gains (when the actual count of the number of items in stock is greater than the number of items shown on the perpetual records) shall be valued at the unit value shown on the inventory records at the time the gain is recognized. Losses (when the count is less than shown on the records) will be expended at the value shown on the inventory records at the time the loss is recognized.

h. **Donations.** Inventory donations received shall be capitalized, but when the item donated requires reworking, it will be valued at the current unit value of like items in stock less the cost of reworking the item. If like items are not in stock, the donation will be valued at the estimated net realizable value to approximate “fair value” required by SFFAS No. 3

i. **Repairs.** SFFAS No. 3 specifies how inventory held for repair may be treated. DOE has provided account codes for use of the direct method. Under the direct method, inventory held for repair shall be valued at the same value as a serviceable item less the estimated repair costs. To avoid overstating repair expenses for the first period that the repair expenses are accrued, prior-period repair expenses are to be separately identified or estimated. The estimated amount applicable to prior periods shall be credited to the inventory account and reported as an adjustment to equity.

When the repair is actually made, the cost of the repair shall be capitalized in the inventory account up to the value of a serviceable item. Any difference between the initial estimated repair costs shall either be debited or credited to the repair expense account. The provisions of this statement need not be applied to immaterial items.

5. INVENTORY AND RELATED PROPERTY COSTS. Inventory and related property costs shall be classified in accordance with appropriate Federal Standards, CAS, and GAAP requirements. Costs are often classified as product costs or period costs. Product costs are capitalized into the inventory or product account while period costs are expensed and should be considered in pricing products. Inventory and material costs will include costs that are incurred to acquire the inventory or material and bring it to the initial desired status and location.

a. Manufacturing and Production Costs. All manufacturing and production costs, direct and indirect, are product costs. These include manufacturing material and labor, factory rent, factory machinery depreciation, factory taxes, and factory insurance; that is, costs that directly benefit the product. Product costs include (1) direct material, (2) direct labor, and (3) indirect manufacturing costs. Indirect manufacturing costs include manufacturing or production facility costs for the items listed below. If more than one product or cost center is benefited, a proportionate share of the expense should be allocated to each benefiting product or cost center.

(1) Indirect Manufacturing (Production) Costs.

(a) Indirect material or factory supplies, such as grease, oil, cleaning supplies, polishing compounds, and factory office supplies;

(b) Indirect labor, such as foremen, inspectors, watchmen, supervisors, clerks, janitors, elevator operators, storekeepers, and timekeepers;

(c) Building occupancy costs, such as rent, taxes, insurance, depreciation, heat, light, and maintenance;

(d) Depreciation of machinery and factory equipment (when depreciation relates to selling or administration functions, it is not inventoried);

(e) Cost of small tools used in factory departments;

(f) Power;

(g) Federal Insurance Contribution Act (FICA) taxes on factory payrolls;

(h) Payroll fringe benefits, such as holiday pay, insurance, and pension fund payments; and

(i) Workers' compensation insurance premiums (when insurance relates to selling or administration functions, it is not included).

(2) **Selling Expenses.** Selling expenses are period costs. They are not allocated to inventory or material capitalized cost. Selling expenses are usually not known until after the product is sold. Selling expenses would include insurance and depreciation relating to the sales operation.

(3) **Warehousing or Storage Expenses.** Warehousing or storage expenses are period costs. They typically occur after the inventory or material is received. These expenses are computed or estimated when determining holding cost.

(4) **Administrative Expenses.** Administrative expenses are period costs. They cover a wide range of indirect activities not directly related to factory or production activities. They include depreciation on central administration building and office equipment and clerical salaries for site administration.

(5) **Other Period Costs.** Other period costs include casualty and theft losses, research and experimental cost, and engineering and design cost.

(6) **Optional Costs.** Some costs may be treated as period costs or product costs, but they must be treated consistently. These are (1) employee benefits for factory or production direct and indirect labor (for current service); (2) rework labor, scrap, and spoilage; and (3) factory or production administration.

(7) **Government Mission Costs.** Some government mission costs are always period costs. These are costs incurred in carrying out government missions that are not related to the administration, manufacturing, or production of the product. These costs include social program costs, security costs related to government missions and not related to production or production administration, security

costs in excess of normal industrial security, and inspections and quality reviews for governmental (as opposed to production or production administration) purposes.

b. **Strategic Petroleum Reserve (SPR) Material Costs.** For SPR mission activities, terminology differs, but the basic principles and activities remain the same. In terms of SPR activities, the following applies:

(1) **Crude Oil Material Cost.** Production costs include (1) direct material, (2) direct labor, and (3) indirect costs of transportation and terminal costs. To be a product cost, the cost must be a prime cost (direct material and direct labor) or specifically related to moving the stockpile material into the initial location (cavern) for storage. Costs that relate to selling or administration are not product costs. Costs that relate to movement of crude oil product from location to location, after initial positioning, and costs to position product for sale are not product costs; they are selling and inefficiency costs.

(2) **Indirect Transportation and Terminal Costs.** These are costs incurred in getting the product to its initial desired status in storage. They include the following:

(a) Terminal materials or supplies such as grease, oil, cleaning supplies, chemicals, and terminating office supplies;

(b) Terminal labor such as foremen, inspectors, workmen, supervisors, clerks, janitors, elevator operators, storekeepers, timekeepers, and product testers;

(c) Terminal building occupancy costs such as rents, taxes, insurance, depreciation, heat, electricity, and maintenance;

(d) Depreciation of machinery, pipelines, vessels, and other terminal equipment;

(e) Cost of small tools used in terminal departments;

(f) FICA taxes on terminal payrolls;

(g) Terminal payroll fringe benefits, such as holiday pay, insurance, and pension fund payments;

(h) Terminal workers' compensation insurance premiums;

(i) Transportation to port-of-entry or SPR docking facility;

(j) Charges, including lab tests, for inspection of product delivered to determine quality, quantity, and acceptability;

(k) Charges for delivery vessel docking, mooring, unmooring, and unloading of product;

(l) Pipeline usage charges for initial acquisition of product;

(m) Costs for landing of cargo, including temporary barge demurrage, cleaning, repairs, and rental; and

(n) Custom fees and Superfund taxes for product.

(3) **Nonproduct Costs or Period Costs.** Costs, such as advertising and sales salaries, that are generally not related to production and are not attached to the product (such as material and labor costs) are considered period costs. The following period costs are not allocated to inventory or materials:

(a) General and administrative expenses;

(b) Design, research, and experimental costs;

(c) Casualty and theft losses;

(d) Distribution, handling, and warehousing charges; and

(e) Marketing, advertising, and selling expenses.

(4) **Optional Costs.** Some costs are optional costs and may be treated either as product or period costs; however, they must be treated consistently. That is, once a method of treatment is selected, it is a permanent decision. Optional costs are:

(a) Employee benefits for current services;

(b) Rework labor, scrap, and spoilage; and

(c) Administration performed for inventory or material production, moving, and location activities.

6. INVENTORY AND RELATED PROPERTY CONTROL GUIDELINES.

a. Data Requirements. Perpetual records shall be maintained for all DOE-owned inventory and materials under financial control. SGL accounting codes are established for inventory and material cost entries in the DOE Standard Accounting and Reporting System (STARS). Whenever specific codes are provided, the specific code shall be used rather than a general code.

b. Identification of Inventory, Operating, and Stockpile Materials.

(1) SFFAS No. 3 defines the terms "Inventory," "Operating Materials and Supplies," and "Stockpile Materials." Use of those categories is required. The following subcategories are also required by SFFAS No. 3:

(a) Inventory held in reserve for future sale;

(b) Excess items;

(c) Obsolete and unserviceable items;

(d) Inventory held for repair;

(e) Stockpile materials currently for sale; and

(f) Operating materials and supplies held for future use.

(2) Inventory and materials are further classified by the type of inventory or materials. These types are identified by SGL subaccounts. The appropriate SGL subaccounts are defined in the STARS/SGL Chart of Accounts and Related Codes.

(3) Inventory and materials are further classified and identified by Asset Type (AT), which can all be found in the STARS/SGL Chart of Accounts and Related Codes.

(4) For financial statement purposes, reporting must meet the requirements of SGL and SFFAS No. 3, Attachment 9-3 shows a crosswalk between the inventory types and reporting categories required by SFFAS No. 3. Attachment 9-4 lists the financial statement disclosure requirements for DOE inventory and materials.

c. Physical Counts. Physical counts of inventory and related property shall be conducted at all DOE and contractor locations, consistent with GAAP and 41 CFR 109-1.5110. Detailed procedures for taking physical counts

shall be developed for each DOE organization and contractor. Procedures limited to check-off on a listing of recorded items will not meet the requirements. Following are some guidelines for physical counts:

(1) Physical counting may be performed by using either (a) a physical count of all items within a classification or (b) statistical sampling techniques that analyze a representative sample of the total population of items. Statistical sampling is preferable to 100 percent physical count for items with low unit cost, insignificant dollar value, or items that are unlikely to be stolen or misused; and

(2) Inventory and related property shall be counted or statistically sampled at least annually, including sensitive and stored items. Physical counts may be completed more frequently when the nature of the items require it, such as some nuclear materials. Each DOE organization shall have representatives with an interest in the material participate in or witness the actual counting of items to ensure that the results are accurate.

d. **Perpetual Inventory/Material Records.** For all inventory or material, records shall include location of items, dollar values, item descriptions, and quantity for the items being controlled. Where applicable, the records will also include element weight, isotopic weight, metal content, quality or grade, organizational units authorized to handle or receive items, current unit cost, and date of last physical count.

e. **Reconciliation Requirements.** The accounting and physical records shall be reconciled and adjusted to physical quantities annually by DOE field elements and contractors. This is best accomplished when a physical count is completed. Any adjustments to perpetual records as a result of reconciliation shall be recorded as a gain or a loss, and inventory or material records should be adjusted.

f. **Adjusting Perpetual Inventory and Related Property Records.** If the gain or loss is a difference between perpetual records and the results of a physical count of materials, the difference should be corrected in the quantity records, with adjusting entries to financial records to reflect the correct values. The adjusting entries must be flowed through all appropriate accounts in the accounting and quantity control systems so that both quantity and dollar value accounts are corrected.

g. **Consumption or Disposition.** Transactions reflecting the consumption or disposition of inventory or related property must be supported by adequate documentation and promptly posted in the accounting system.

(1) **Issues for Consumption.** Issues from stock will be recorded at the unit cost of the items at the time of issue.

(2) **Sales.** Asset accounts for items sold will be reduced by the unit value at the time of the sale.

(3) **Variances.** Variances resulting from field element standard cost system production activities will be accounted for through SGL 1571.28 and disposed of as production variances after appropriate analysis of the variances and their causes are determined. Differences that are created as a result of transferring nuclear products from production cost accounts to standard transfer value accounts will be accounted for through SGL 1571.29. These amounts will be accounted for as determined by the Headquarters Chief Financial Officer (CFO) after appropriate analysis of the variances.

(4) **Consumption for Other Reasons.** The value of an inventory or related property account is reduced due to losses, obsolescence, spoilage, decay, and so forth. If inventory or related property that is no longer needed has any value, it shall be reclassified as scrap, excess materials, and the like, and be revalued as appropriate for the property. Reductions in the value of the inventory or related property are to be charged as a cost during the period in which it is determined the material is of a lesser value.

h. Establishing an Inventory or Related Property Asset Account or Asset Type.

(1) If an inventory or related property account does not already exist, it may be established with financial or stock controls when usage of an item is frequent enough that it becomes cost beneficial to stock quantities of the item rather than purchase it for direct turnover. This should be based on cost-benefit studies of requirements or statutory or oversight agency requirements. SFFAS No. 3 requires both disclosure of decision criteria for identifying categories to which inventory and materials are assigned as well as disclosure of changes in those criteria. Categorizing by criteria begins with initial acquisition and runs through the entire process until final disposition of inventory or related property. Inventory and material managers are a part of the criteria decision making process, since they must monitor usage data and other factors to determine when an inventory account should be established or an asset added to an established inventory and convey this information to appropriate financial staff. If inventory poses a danger to the environment or is subject to

pilferage, misuse, or destruction, inventory stock level should be established for management and control purposes even though usage may be low. Whether a physical inventory is established with or without financial inventory control will depend on cost-benefit, risk, and other factors.

(2) If an inventory or related property SGL subaccount should be established or an AT added to an existing account, a written request shall be forwarded to the Headquarters CFO. The CFO will review the financial implications and appropriately interface the changes with the relevant organizations and systems. No financial account or AT addition to financially controlled inventory or related property shall be established without Headquarters CFO review and concurrence. Appropriate codes and funding must be established for inventory or related property financial accounts to interface with all relevant systems.

(3) For an inventory or related property account or AT to be closed, coordination with relevant organizations such as the Office of CFO, program managers, funding sponsors, and customer organizations is required. Closed shall require many of the same considerations as establishing an inventory or asset account. Closed will require development of alternate funding and supply sources by all customers and the closing out of reporting and control elements.

i. **Accounting Accuracy and Timeliness.** The use of decentralized accounting and the summarization of that data into STARS at Headquarters requires accuracy and timeliness for all accounting transactions. Accuracy includes the use of detailed SGL subaccounts. Timeliness includes not only posting all transactions within the same accounting period in which the transactions occur, but also the prompt recognition and recording of changes in item value due to gains or losses, spoilage, obsolescence, etc. All such accounting entries should be made during the same accounting period in which the change in the item value is realized.

j. **Funding.** DOE inventory is funded from a specific appropriation established to support missions specified for that appropriation. Appropriated funds are accounted for through fund accounting systems using designated fund codes. Fund accounting requirements shall be used to avoid violations of statutory provisions regarding the use of Government appropriated funds. Program Segment Codes are used to control individual expenditures within appropriation and fund limitation constraints.

7. ITEMS REQUIRING SPECIAL CONSIDERATION.

a. Precious Metals. Precious metals are carried in SGL accounts 1511, 1512 and 1513, "Operating Material and Other Special Materials." 41 CFR 109-27.51, "Management of Precious Metals," requires each DOE organization and contractor holding precious metals to conduct, at a minimum, annual physical inventories, an annual review of precious metal holdings to determine excess quantities, and to prepare/submit to the DOE Business Center for Precious Metals Sales and Recovery (DOE BCPMSR), the annual forecast of anticipated withdrawals from, and returns to, the DOE precious metals pool. Precious metals are to be valued at historical cost. The DOE BCPMSR is responsible for maintenance, and accountability of inventories, issuance to users, recycling/recovery of precious metals, and sale of precious metals inventories that are excess to the Department's needs. When metals are sent to DOE BCPMSR, the issuer should write-off the value based on historical cost and the DOE BCPMSR shall record the inventory at historical cost. If the historical cost is not identified by the issuer, the materials will be valued at the DOE BCPMSR historical cost in effect on the date that the metals were received.

b. Excess, Obsolete, and Unserviceable Inventory or Material. Inventory or operating materials and supplies in these categories shall be valued at expected net realizable value. The difference between the carrying amount of the inventory or operating material before identification as excess, obsolete, or unserviceable, and its expected net realizable value shall be recognized as a gain or loss and separately reported or disclosed. Any subsequent adjustments to the net realizable value or any gain or loss upon disposal shall also be recognized as a gain or loss. Stockpile materials that are excess, obsolete, or unserviceable will be valued at historical cost unless the materials have permanently declined in value below cost or are damaged or decayed. In such cases, valuation at expected net realizable value is required. For inventory or materials, the valuation at expected net realizable value may be accomplished by a credit to an allowance for loss or valuation account.

c. Spoiled Work, Units Lost, Defective Units, and Scraps.

(1) Spoiled Work, Units Lost, and Defective Units.

(a) In materials production and crude oil transportation activities, the costs assigned to each process are divided by production in terms of completed products after eliminating units lost, spoiled, and defective. Therefore, units in-process and completed have to bear the loss as an added element of cost.

(b) If abnormal conditions exist because of inefficiency of labor or from inferior materials, the units in question should be included with units finished and in-process in computing the average unit cost for the process. Those units lost, spoiled, and defective because of abnormal conditions should be multiplied by the cost per unit in the process, and the resulting amount should be charged to a lost, spoiled, and defective work account and credited to the process through a journal entry. These losses should be charged to cost of operations for the current period so that the inventory or material account will not be improperly inflated. The normal cost of spoiled and lost units is absorbed as an additional cost of units in process.

(2) **Scrap.** Material residue from manufacturing or other activities may have measurable but minor recovery value. If it is cost beneficial to recover the value of these items, they should be entered into a scrap material account using an accounting code for scrap. Scrap should be recorded at its net realizable value. Net realizable value is the expected sale price less the cost of disposing of the scrap material. If items in inventory or material accounts are damaged to the extent that they have to be scrapped, the loss should be accounted for through the allowance account if one is established for the inventory or material; otherwise, account for such a loss through a loss adjustment account. The loss in value will be charged to the landlord program segment.

d. **Radioactive Material.** For non-production material accounts, the amount of material lost through radioactive decay shall be written off based on the unit value of the material at the end of the period in which the decay occurred. The recording of decay is the recognition of a cost incurred and does not increase the value of the remaining material. For production material accounts, the cost of radioactive decay is a normal cost of business and is a part of product cost.

e. **Nuclear Fuel Operating Material.**

(1) **Fuel Fabrication Operating Material.** Fuel fabrication operating material is to be costed over the life of the fuel as the nuclear fuel is used in reactors. As fuel is used, the value for the fabrication of that fuel in use must be reduced on a periodic basis to account for consumption of utility during reactor operating cycles. The consumption adjustment for the fabrication cost used should be based on reactor run-time if that best matches cost with benefits. The offsetting charge for fuel fabrication consumption will be to

the reactor cost of operations account. By the time a fuel cylinder is no longer usable, all fabrication costs for it should have been charged to reactor operations.

(2) **Nuclear Fuel Operating Material.** Costs of nuclear fuel lost in fuel burn-up, degradation, or production must be recorded on a periodic basis. The material account for nuclear fuel will be reduced with an offsetting charge to an appropriate cost of operations account. Consumption costs shall be transferred on a basis to the program office using the DOE nuclear material. Costs transferred from one field element to another are described in Chapter 12, "Inter-Entity Transactions."

f. **Allowance for Loss or Valuation Accounts.** Allowance accounts have been established for isotopes inventory, stores operating materials and supplies, and nuclear stockpile materials. These negative balance accounts should be used to recognize reasonably anticipated financial losses in inventory and materials. The inventory and operating materials and supplies allowance accounts are separately reported on financial statements; the stockpile materials allowance account is not. Stockpile materials are reported net on financial statements.

(1) **Estimating Loss Allowances.** Losses that may occur include reduction in value as a result of shrinkage, deterioration, damage, obsolescence, or loss of utility. Analysis of allowance account balances, products, missions, and markets will be necessary to adjust allowance account balances. Normal decay of nuclear materials is not reported through the allowance account. Adjustments to the allowance account must be documented.

(2) **Losses Incurred.** If the balance in an allowance account is not adequate to absorb anticipated losses, the account is increased by a charge to operations to increase the allowance amount. The allowance account should be reviewed periodically, and at least annually, to ensure that adequate provision has been made to cover anticipated losses. When inventory or material for which an allowance exists is used or disposed, both the asset account and the allowance account must be cleared for those units. If the gain or loss on use or disposition does not match the allowance account amount then an additional gain or loss must be recognized at that time.

g. **Bench Stocks.** These are quantities of items that have been drawn from inventory or materials stocks and are held at workbenches or locations outside of normal inventory storage locations. Such inventory materials

should only be held if they will be consumed within a reasonable period of time, not to exceed 90 days. Quantities in excess of a 90-day supply should be returned to inventory.

h. Inventory or Operating Materials and Supplies Held for Future Sale or Use. Inventory or materials or supplies held for future sale or use must be separately classified in financial records and reported or disclosed in the financial statements.

i. Stockpile Materials Held for Sale. When stockpile materials are authorized to be sold, those materials shall be reclassified as stockpile materials held for sale. These materials shall be valued at the same basis as used prior to being authorized for sale. The cost of stockpile material shall be removed from the stockpile material account and reported as cost of goods sold when sold. Any gain or loss on disposal shall be recognized accordingly. Any difference between the carrying amount of stockpile material held for sale and its estimated selling price shall be disclosed in the financial statements.

j. Write-Down/Write-up. Significant write-downs of inventory or materials should only be accomplished by an independent team. The need for the write-down and value must be supportable by objectively verifiable facts. Factors to consider include recent sales prices for comparable material, world market prices, scrap value, sales attempts, damage reports and appraisals by technical experts, investigation reports, future need for the material, alternative uses, and cost-benefit evaluations. Write-downs must be appropriately documented, including justification, facts relied upon, documentation supporting the facts and conclusions, and must be signed by authorizing persons with the owner's consent. All write-down approvals and documentation should be held for future audit. Write-down documentation may include correspondence regarding the material. Write-downs must be cleared through material and financial records. Write-downs of nuclear materials with a standard transfer value must be approved by the appropriate Headquarters program office and coordinated with the Headquarters Office of Financial Policy (CF-50). Prior to requesting the program approval for write-down of excess nuclear, the material should be reported in the annual Nuclear Materials Inventory Assessment, as inactive other material, that is more likely than not to be dispositioned by the Department. In addition, an Inactive Materials Bulletin should be issued as required in DOE Order 5660.1B, "Management of Nuclear Materials," to notify potential users of the availability of usable inactive nuclear materials. Significant write-ups should be treated in a similar manner. Less significant write-ups or write-downs may require less formality, but must still be adequately documented, properly flowed through both property and

financial records, and be approved by appropriately authorized persons. An example of this last category would be normal shipper/receiver differences.

8. ISOTOPES INVENTORY.

a. Valuation and Allowance. Isotopes and related associated products or services are under the direction of the Isotope Program. Isotope Program inventories consist of two major categories, radioisotopes and stable isotopes. All inventories are valued based on average cost, except as otherwise provided for in SFFAS No. 3. With the exception of electromagnetic stable isotopes at Oak Ridge National Laboratory (ORNL), inventory quantities that exceed the total quantity sold during the preceding five years are included in the allowance for excessive inventory quantities. Quantities of electromagnetic stable isotopes at ORNL that exceed the total quantity sold during the preceding five years are written off.

b. Isotope Physical Counts. All isotopes produced by the Isotope Program will be inventoried unless the isotope has a 75 day half-life or less. At the end of a fiscal year, any isotope with a value greater than $35,000 will be written back into inventory at fiscal year-end. When isotope radioactivity levels or assaying and measurement costs are too high, counting or sampling is unnecessary. For isotopes not counted or sampled, use standard decay rates to compute radioactivity decay losses at lease once a year, and verify quantities by other measurement means.

9. NUCLEAR MATERIAL STOCKPILE.

a. Accounting Records. The field elements and major site/facilities management contractors that have physical control of DOE-owned nuclear material should maintain accounting records for that material. When a major site/facilities management contractor uses nuclear materials only in research, the Head of a field elements may find it more appropriate to maintain the nuclear material accounting records. A Directory of Reporting Identification Symbols is maintained by material control and accountability personnel to coordinate financial reporting organization codes, names, addresses, and other information. Reported changes to the directory are reported by all field elements to the Nuclear Material Management & Safeguards System (NMMSS) to ensure proper distribution of transaction data.

b. Quantitative Records. The NMMSS and local accountability systems provide reports showing quantities of nuclear materials. Accounting records contain financial data that should be reconcilable to quantities held by custodians. NMMSS financial module reporting may be used where

appropriate to ensure required correlation. A classification crosswalk from NMMSS to financial SGL accounts must be used to determine the SGL for recording nuclear material. DOE nuclear material custodians and NMMSS system managers will maintain this crosswalk in an up-to-date status.

c. **Account Classifications.** Nuclear Material financial account classifications are identified in the STARS/SGL Chart of Accounts and Related Codes. Nuclear Material quantity account classifications are contained in NMMSS reports and program orders.

d. **Reporting.** All offices shall report nuclear materials into the financial systems. This is accomplished through the Department Inventory Management System (DIMS), which is a classified subsidiary ledger. Both NMMSS and financial codes are followed in this reporting. DIMS is monitored and reconciled by NNSA Office of Field Financial Management, field financial and materials management staff.

All DOE field CFOs need to ensure that an ending inventory report is run and reviewed at fiscal year end from the sites' local nuclear materials accountability system and to determine if Standard Transfer Values (STV), or standard cost curve values, are correctly applied to the nuclear materials on hand. Nuclear material values should be cross checked with STV's and any specific guidance that has been issued by Headquarters based on programmatic decisions. Materials that have a reduced value should either be written down to zero or put in an allowance account depending upon the program guidance.

10. RELATED PROPERTY.

a. **Seized and Forfeited Property.** Such property shall be recorded at its fair market value. When seized property is forfeited, it will be reclassified as forfeited property. For additional guidance, refer to SFFAS No. 3 on seized and forfeited property.

b. **Foreclosed Property.**

(1) Any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan is considered foreclosed property. This property is valued according to SFFAS No. 3 on foreclosed property. Such property is valued at the net present value of projected future cash flows.

(2) Assets subject to the claims of other parties shall have the claim recognized in a valuation allowance. These claims shall be

recorded at their net present value at the time of foreclosure. Receipts and disbursements during the holding period associated with holding the property will be charged or credited to the foreclosed property. Adjustments at the time of sale will be included in operating results. These shall be recognized as components of interest income and default expense. The number of properties held, average holding period, and number of properties under foreclosure proceedings will be included with other foreclosure disclosures required at year-end.

c. Goods Held under Price Support and Stabilization Programs.

(1) These are commodities acquired, held, or sold to satisfy economic goals. They ordinarily will be held under statutory provisions, and the specific statutory requirements as well as SFFAS No. 3 will govern their handling.

(2) Such commodities are recognized in the accounting records upon surrender of title or upon purchase. If acquired on a non-recourse loan, the valuation basis shall be cost. If purchased, the valuation for recording shall be the amount of the purchase plus other costs to bring the commodities to their current condition and location.

(3) Revenue shall be recognized upon sale, and the carrying amount of the commodities sold shall be removed from the commodity account and reported as cost of goods sold. Commodities held for other than sale shall be removed from the commodity account and expensed upon transfer or use.

(4) For financial statement purposes, commodities shall be valued at the lower of cost or net realizable value. Adjustments necessary to arrive at net realizable value shall be accumulated in an allowance account (contra-asset valuation allowance). Any adjustments for valuation losses should be recognized and reported in the current period.

(5) Allowable cost flow assumptions include first-in, first-out (FIFO), weighted average, moving average, and specific identification. Commodities shall be reclassified when they shift to a different category, such as held-for-sale, donation, stockpile, or disaster assistance.

ATTACHMENT 9-1

DEFINITIONS

Consumable property. Tangible property that is expected to be consumed in the ordinary course of operations and that does not meet the criteria to be classified as Plant or Capital Equipment (P&CE). Consumable property includes non-P&CE property intended for sale in the ordinary course of business. It also includes the DOE categories of Inventory; Materials and Supplies; Stockpile Materials; Seized, Forfeited, and Foreclosed Property; and Goods Held Under Price Support and Stabilization Programs. Such property could be transferred out of these categories into some other category. Some foreclosed property could be transferred to a P&CE category if the Department decided to use the foreclosed property as P&CE as in its own operations.

Consumption method. A method of accounting for goods, such as materials and supplies, where the goods are recognized as assets upon acquisition and are expensed as they are consumed.

Direct turnover items. Items requisitioned or purchased for immediate use.

End-user. Any component of a reporting entity that obtains goods for direct use in the normal operations of the component. Any component of a reporting entity, including contractors, that maintains or stocks operating materials and supplies for future issuance shall not be considered an end-user.

An example of an end-user may be an operating room in a hospital. Although the hospital may have purchased medical supplies and materials from a warehouse, the hospital may then store the materials and supplies at a central location within the hospital. Then, when a component of the hospital has a need for items for its use in normal operations, the component is issued the item from the central storage location. This issuance then places the operating materials and supplies in the possession of the end-user. Before this issuance (for example, when the items are still in the hospital's central storage location), the operating materials and supplies are to be accounted for as not in the hands of an end-user.

Excess inventory or material. Inventory or material stocks that exceed the demand expected in the normal course of operations because the amount in stock is more than can be sold or used in the foreseeable future, that do not meet management's criteria to be held in reserve for future sale or use, and that are not required as a safety or insurance margin shall be classified as excess. Excess items are those items that are more cost-effective to dispose of than to hold.

First-in, first-out. The first-in, first-out (FIFO) costflow assumption assumes that the first (oldest) items received into the inventory or material system are issued first so that the items in stock always consist of the newest purchases. Issues from stock are valued at the oldest unit price in the records until the quantity of the earliest purchase is exhausted, at which point the next oldest unit price is used.

Foreclosed property. Any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan (excluding commodities under price support). All such properties are assumed to be held for sale.

Forfeited property. (1) Monetary instruments and real and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the Government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.

Fuel fabrication cost materials SGL 1511, 1512, 1513. Fuel fabrication cost materials include costs incurred for fabrication of fuel elements for DOE research and test reactors. Nuclear material is not included in this category; only fabrication costs are included.

Goods held under price support and stabilization programs. (Referred to as commodities). Commodities are items of commerce or trade having an exchange value. Commodities are acquired, held, sold, or otherwise disposed of to satisfy or help satisfy economic goals through support of market prices. This can include products, short-term loans with commodities pledged as collateral, and agreements to purchase commodities at given prices at the option of sellers.

Head of Field Organization. The head of an operations office, service center, site office, area office, regional office of a Federally staffed laboratory.

Historical cost. Historical cost includes all appropriate purchase and production costs incurred to bring an item to its current condition and location. Any abnormal costs, such as excessive handling or rework costs shall be charged to operations of the period. The first-in, first-out (FIFO), weighted-average or moving-average costflow assumptions may be applied in arriving at the historical cost of ending balances and cost of goods. In addition, a standard cost system may be used if the results reasonably approximate those of one of the above methods. Historical cost of inventory excludes any (1) abnormal costs (wasted material, labor, or other excessive costs); (2) storage costs once the production process is complete; (3) overhead that is unrelated to production; and (4) selling expense. These costs are not capitalized because they are not related to the acquisition or production of inventory.

Holding cost. All relevant costs (including storage and handling) associated with holding inventory or materials in lieu of sale or use.

Inventory. Tangible personal property that is (1) held for sale; (2) in the process of production for sale; (3) to be consumed in the production of goods for sale or in the provision of services for a fee. The term "held for sale" shall be interpreted to include items for sale or transfer (1) to entities outside the Federal government or (2) to other Federal entities. The principal objective of the sale or transfer of inventory is to provide a product or service for a fee that generally recovers full cost or an identified portion of the cost. Other Federal entities may include entities within the same organization/agency. Payment for items purchased from inventory in both cash and noncash forms (for example, transfer of funds between agencies) is considered a sale transaction. Inventory excludes some other assets held for sale, such as (1) stockpile materials, (2) seized and forfeited property, (3) foreclosed property, and (4) goods held under price support and stabilization programs. These items may be sold, however, the purpose of acquiring them is not to provide a product or a service for a fee.

Inventory held for current sale. Any inventory held for sale under normal operations. Normal operations include the program activities that are planned for and performed during the fiscal year. Normal operations do not include any unforeseen events to which the entity might be called on to respond.

Inventory held for repair. Inventory that has suffered a loss of utility but that is to be restored to useful condition and that is being held for restoration.

Inventory held in reserve for future sale. Inventory exceeding the volume needed to meet normal operating requirements yet not identified for disposal. These are inventory stocks that are maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed (although not necessarily in the normal course of operations).

Isotopes inventory (SGL 1527-01). Isotopes inventory consists of naturally occurring or man-made forms of chemical elements that have differing atomic structures and weight than other species of the chemical element with the same atomic number and position in the periodic table. Isotopes inventory includes stable isotopes and radioisotopes with half-lives in excess of 75 days. Any isotope with a 75-day half-life or less and carrying a value greater than $35,000 will be written back into inventory at fiscal year-end.

Latest acquisition cost valuation. Valuation by latest acquisition cost (LAC) means that the last invoice price would be applied to all like units held. Under this method, (1) the values to be assigned are easily obtained by management; (2) the values are verifiable; and (3) the values approximate the replacement cost if purchases are made frequently. The method has certain disadvantages in the large variances it creates, the difficulties involved in achieving reasonable accuracy, and control problems.

Long supply items. Long supply items refers to the increment inventory of an item that exceeds the stock level criteria established for an item by the inventory or material manager, but excludes quantities to be declared excess.

Major facilities management contractor. A DOE contractor whose financial accounting results are reported as a subsidiary organization into the financial accounts of DOE. This permits DOE to prepare integrated financial statements for use in reporting financial results to oversight agencies.

Materiality. Determination of whether an item is material depends on the degree to which omitting or misstating information about this item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. This concept includes both qualitative and quantitative considerations. This definition is extended to apply to all information that will impact financial information included in annual financial reports and applies to all items that would influence or change the users' judgments of the efficiency and the effectiveness of the entity.

Material held in reserve for future use. Materials that are maintained because they are not readily available in the market, or because there is a more-than-remote chance that they will eventually be needed, although not necessarily in the normal course of operations.

Moving average cost. An inventory or material costing method under which an average unit cost is computed after each acquisition by adding the cost of the newly acquired units to the cost of the units on-hand and dividing this figure by the new total number of units.

National emergency. A general declaration of emergency with respect to the National defense made by the President or Congress.

NPR inventory (SGL 1527-02). NPR inventory includes crude oil produced from NPR and held in holding tanks for sale or delivery to buyers. It does not include known geological reserves. This oil is produced in support of the objective to optimize total output from the geological reserves over the estimated life of these reserves. The inventory is valued at expected net realizable value.

Net realizable value. The estimated amount that can be recovered from selling, or any other method of disposing of an item, less estimated costs of completion, holding, and disposal.

Nonproduction nuclear materials. These include all nuclear materials other than those accounted for in SGL 1571-01.

Not in stock (NIS). Items for which a formal inventory or stocking requirement has been established, but no items are available for issue.

Not stocked items. Items for which no formal inventory or stocking requirements has been established by the inventory, material or financial manager.

Nuclear materials stockpile items (NM). For purposes of maintaining financial control and compliance with SFFAS No. 3, NM consists of the following items held by DOE: uranium, plutonium, americium, curium, berkelium, californium, lithium, neptunium, deuterium, tritium, and thorium in production, research, or weapons and weapons components. They also include weapons or weapons components that are under presidential directive or with the Department of Defense. These materials are carried under SGL 1571-01 and are further subdivided by status codes and assets types. Except for transferred costs and reclassifications from other nuclear material stockpile materials accounts, the cost of obtaining, producing, or fabricating these items is first recorded in SGL 8030, Program Costs Capitalized - Inventory, and is then capitalized in stockpile materials accounts on a nonfund basis.

Obsolete inventory or material. Those items that are no longer usable because of changes in technology, laws, customs, or operations.

Operating material and supplies. Tangible personal property to be consumed in normal operations. Excluded are (1) goods that have been acquired for use in constructing real property or in assembling equipment to be used by the entity; (2) stockpile materials; (3) goods held under price stabilization programs; (4) foreclosed property; (5) seized and forfeited property; and (6) inventory.

Other special materials (SGL's 1511, 1512, 1513). Other special materials are specified materials and supplies that do not fit other DOE inventory and material categories. Other special materials include only the precious metals, rare materials with high monetary value in relation to volume or weight, special barrier materials, and special research isotopes. Only ATs 041 through 058 are includable in this material type. These materials are valued at historical cost.

Purchases method. A method of accounting for goods, such as materials and supplies, in which the acquisition cost is recognized as an expense upon purchase of the goods rather than upon their use.

Replacement cost. The cost to reproduce an inventory or material item by purchase or manufacture.

Sales. Business transactions involving delivery of a commodity, an item of merchandise or property, a right, or a service, in exchange for cash, a promise to pay, or money equivalent, or any combination of these items. Sales of inventory include cash transactions with an intent to transfer title in the ordinary course of business in exchange for assets or services. Government sales to other agencies or components of the same agency are not necessarily an exchange for cash. A competitive environment is not required.

Scrap materials. Property that has no value except for the recoverable value of its basic material content.

Seized property. Monetary instruments, real property, and tangible property of others in the actual or constructive possession of the agency that takes possession.

Special reactor materials (SGL 1511). Special reactor materials include special materials approved for research and development and for use in reactors. The initial loading of heavy-water moderator in DOE-owned reactors is excluded from special reactor materials. Items may be added to this category only when authorized by the DOE Headquarters Chief Financial Officer. Items in this account are valued at average historical cost.

Standard costs. Predetermined expected unit costs, which are acceptable for financial reporting purposes if adjusted periodically to reflect actual results.

Standard Transfer Value. Predetermined values based on actual cost of production, established by the Department's Office of Financial Policy.

Status of the SFFASs. SFFASs shall be considered GAAP for Federal agencies. Agencies shall apply the SFFAS in preparing financial statements in accordance with the requirements of the CFO ACT of 1990. Auditors shall consider SFFASs as authoritative references when auditing financial records.

Stockpile materials. Strategic and critical materials held due to statutory requirements for use in National defense, conservation, or National emergencies. They are not held with the intent of selling in the ordinary course of business. The following items are specifically excluded from stockpile materials: (1) items that are held by an agency for sale or use in normal operations (see definitions for Inventory and Operating Materials and Supplies), (2) items that are held for use in the event of an agency's operating emergency or contingency (see definition for Operating Materials and Supplies), and (3) materials acquired to support market prices (see definition for goods held under price support and stabilization programs).

Stores materials and supplies (SGL 1511-1513). Materials, supplies, and parts on-hand that are normally used or consumed in operations, maintenance, and general use. Items in this account are valued at average historical cost.

Strategic and critical materials. Materials that would be needed to supply the military, industrial, and essential civilian needs of the United States during a National emergency, and that are not found or produced in the United States in sufficient quantities to meet such need.**SPR Petroleum (SGL 1571).** SPR petroleum consists of crude oil stored in caverns at SPR sites. This oil is stored for sale during National emergencies. Items are valued at moving average cost. Initial procurement and freight costs for petroleum

reserves are charged to a current-year operational account. The costs are subsequently capitalized and recorded into SGL 1571. The offsetting credit entry for capitalization of these materials is to SGL 8030 (Program Costs Capitalized – Inventories).

Surplus personal property. Any excess personal property not required for the needs and the discharge of the responsibilities of all Federal agencies, as determined by the Administrator of General Services, or a DOE program manager or organization legally delegated this authority for management of nuclear or fossil materials.

Unserviceable inventory or material. Damaged inventory that is more economical to dispose of than to repair.

Variance. The difference between a preestablished measure and an actual measure.

Variances retained by field elements (SGL 1571). Used to record cost variances temporarily retained by field offices and certain integrated contractors when authorized by the CFO. These variances consist of the following:

1. **Standard production cost variances** result from differences between standard and actual production or recovery costs by production contractors and are cleared annually through revision of standard rates; and

2. **Materials adjustment variances** result from authorized stockpile materials adjustments arising from unusual circumstances such as production costs (receiving and storage) incurred in advance of starting fuel recovery services. These costs must be cleared on a regular basis.

Variances transferred to Headquarters (SGL 1571). Used by the field to temporarily record the difference between required standard transfer values and the cost of production. Variance balances in this account must be transferred to DOE Headquarters with prior approval from Office of Financial Policy, before the close of each fiscal year. In turn the Office of Financial Policy will analyze the variances for each nuclear material, allocate such to the appropriate inventory, material, or expense at fiscal year-end and revise standard transfer values as appropriate. The two variances initially accumulated in this account by the field and to be separately identified in transfers to DOE Headquarters include the following:

1. **Type A - materials adjustment variance** is the variance to be used for nonproduction operations and is generated when standard transfer values are initially established or subsequently revised;

2. **Type B - standard materials cost variance** is the variance to be used for production operations and is generated when standard or actual costs of materials shipped for use in other-than-production operations vary from the standard transfer value.

Weighted average cost. An inventory or material costing method under which an average unit cost is computed periodically by dividing the sum of the cost of beginning inventory or materials, plus the cost of acquisitions, by the total number of units included in these two categories.

ATTACHMENT 9-2

VALUATION METHOD

Category	SGL	Valuation Method
Nuclear Materials Control Acct	1571-01	Historical Cost
Nuclear Materials Stockpile	1571-01	Average Cost (In Production) Historical Cost (Non-Production)
SPR Oil Stockpile	1571	Moving Average Cost
NPR Oil Inventory	1527	Net Realizable Value
Isotopes Inventory	1527	Average Cost
Special Reactor Materials	1511	Average Cost
Other Special Materials	1511-1513	Historical Cost
Fuel Fabrication Cost Materials	1511-1513	Average Cost Less Burn-up
Stores Materials and Supplies	1511-1513	Average Cost
Field Standard Variance Account	1571.01	Average Cost
Nuclear Materials Variance Acct.	1571.01	Average Cost
Allowance for Loss on Stockpile Inventory	1571.01	Historical Cost

*All valuation methods are historical cost methods except NPR oil inventory, which is estimated net realizable value. Certain surplus items are at net realizable value. Latest Acquisition Cost is not authorized for DOE. Costflow assumptions are FIFO, weighted average or moving average.

ATTACHMENT 9-3

INVENTORY AND MATERIALS CROSSWALK

Inventory Type	Standard No. 3 Category
Nuclear Materials	Stockpile Materials
SPR Oil	Stockpile Materials
NPR Oil	Inventory
SPR Oil	Stockpile Materials
Isotopes	Inventory
Special Reactor Materials	Operating Materials
Other Special Materials	Operating Materials
Fuel Fabrication Cost Materials	Operating Materials
Stores Materials and Supplies	Operating Materials
Field Standard Variance Account	Stockpile Materials
Nuclear Materials Variance Account	Stockpile Materials
Allowance for Loss on Stockpile Inventory	Stockpile Materials

ATTACHMENT 9-4

FINANCIAL STATEMENT DISCLOSURE REQUIREMENTS FOR DEPARTMENT OF ENERGY (DOE) INVENTORY AND MATERIALS

The following Statement of Federal Financial Accounting Standards No. 3 (SFFAS No. 3) disclosure requirements are applicable to Inventory, Operating Materials and Supplies, and Stockpile Materials held by DOE.

1. General composition of the inventory and materials.

2. Basis for determining values (valuation method and costflow assumptions).

3. Changes from prior year's accounting methods.

4. Balances for SFFAS No. 3 specified categories (Inventory, Operating Materials and Supplies, and Stockpile Materials) and subcategories (inventory or stockpile material held for sale currently; inventory held in reserve for future sale; material held in reserve for future use; excess, obsolete, and unserviceable inventory or materials; and inventory held for repair).

5. Restrictions on the sale or use of inventory and materials.

6 Decisions criteria (and changes in these criteria) for identifying the category (or subcategory) to which inventory and materials are assigned.

CHAPTER 10

PROPERTY, PLANT, AND EQUIPMENT

1. INTRODUCTION.

a. Background/Authorities. This chapter describes financial controls over the acquisition, use, and retirement of property and provides guidelines for distinguishing between charges to capital accounts and charges to expense accounts consistent with the Statement of Federal Financial Accounting Standards (SFFAS).

b. Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview." When in conflict with the provisions of this paragraph, power marketing administrations (PMAs) should observe the policies of the Federal Energy Regulatory Commission and other industry standards as they apply to the accounting and financial management of property, plant, and equipment (PP&E).

c. Policy/Objectives. Financial accounting for PP&E should be governed by the following basic principles:

(1) Department of Energy (DOE) property should be accounted for and reflected in the official DOE financial records in accordance with the capitalization criteria contained in this chapter, regardless of funding source;

(2) Depreciation should be calculated and recorded in the appropriate cost-of-operation account, using the appropriate fund type;

(3) Timely and accurate financial reporting on facility construction and capital equipment activities should be provided to DOE management;

(4) Financial control over property should be maintained;

(5) The primary basis of accounting for property is its acquisition cost (with the general exceptions of transfers, excess property received, foreclosures, and discoveries); and

(6) Common-use temporary construction facilities and equipment should be budgeted for by the Landlord Program without chargeback to the benefiting construction projects.

d. Capitalization Criteria.

(1) Capitalization Threshold. The capitalization threshold for items acquired prior to October 1, 2011 is $50,000. For items acquired on or after October 1, 2011, the threshold is $500,000.

(2) Capitalize individual PP&E items that are purchased, constructed, or fabricated in-house, including major modifications or improvements to any of these items, if they have an anticipated service life of 2 years or more and if they cost more than the capitalization threshold regardless of funding sources (see paragraph (a) below). The only exceptions are items that are inherently experimental, used as special tools, or, by nature of their association with a particular scientific experiment, not expected to have an extended useful service life or an alternative future use. Notwithstanding the accounting threshold for physical accountability/control purposes, personal property records are required for items of personal property with an acquisition cost of $5,000 or more. Data about real property, regardless of value, should be retained in the Facility Information Management System (FIMS) required per Title 41 CFR 101-47.201.2.

(a) Purchased Assets. Generally, costs should be recorded net of purchase discounts taken. Purchase discounts lost and late-payment penalties should not be included as costs of assets, but should be written off as an operating expense. Capitalized cost includes all costs to convert or to make the facilities or equipment ready for use, for example, invoice price, transportation, and installation costs. As a general rule, indirect costs associated with the purchase of the item are not capitalized.

(b) Constructed Assets. When an entity constructs a depreciable asset for its own use, all direct costs are included in the total cost of the asset. Constructed capital assets must receive their allocable share of all indirect costs (CAS 404).

(c) Purchased Asset Improvements. When the expenditures that increase the capacity or operating efficiency or extend the useful life of an asset are substantial, expenditures are capitalized. Capitalized cost includes all costs to convert or to make the facilities or equipment ready for use, for example, invoice price, transportation, and installation costs.

Minor expenditures usually are treated as period costs even though they may have the characteristics of capital expenditures.

(3) For capitalization of automated data processing software, follow directions contained in a November 20, 2000 memorandum issued by the CFO. Apply the capitalization threshold in effect at the time the software is acquired or completed.

(4) Capitalize and group in a separate asset-type account related items that individually cost less than the capitalization threshold but that collectively cost more than the capitalization threshold, such as the initial complement of equipment (for example, office equipment) for a building, if current costs would be distorted in a given period by charging such items to expense accounts. The initial complement of equipment of insignificant value relative to total project cost is generally distributed over the cost of the property record units to which it is related.

(5) Capitalize property, including assets acquired through installment contracts and lease purchases, as described in this chapter.

(6) Generally, DOE elements should not capitalize interest during the acquisition of PP&E. However, certain DOE elements fund the acquisition, construction, or fabrication of PP&E through direct borrowing from the Department of the Treasury (Treasury) and pay interest directly to Treasury. In such cases, capitalize interest, if it is material, based on the interest rate charged by Treasury for the funds borrowed. The interest capitalization begins with the first expenditure for the qualifying asset and ends when the asset is substantially complete and ready for its intended use. Capitalize interest costs as long as the following general conditions are met:

(a) Expenditures for PP&E have been made, and

(b) Activities that are necessary to get PP&E ready for its intended use are in progress.

e. Property Record Unit Concept.

(1) Property record units are designed to establish divisions of the completed PP&E categories. Property record units facilitate the recording of changes to property categories and the reconciliation of physical inventories with financial accounts.

(2) A property record unit, sometimes called a PP&E record unit, is a plant or equipment item, for example, a building, selected to be continuously identified in the property records. The selection of property record units determines the manner in which costs are assembled and recorded in the property records. A property record unit may be composed of one or more retirement units. In selecting the property unit, consideration should be given to its use, relationship with other associated items, relative importance, frequency of anticipated property changes, and monetary value. Generally, $50,000 or more is considered sufficient monetary value to justify maintaining continuing records of the property unit. A property record unit may be a functional unit consisting of an assembly of associated items, some of which are retirement units, such as a hydraulic extrusion press; a facility serving or designed to serve two or more other property record units, such as a control system or piping system; a continuous facility of which sections are retirement units, such as roads, walks, and paved areas; or a unit that is complete in itself, such as a spectrometer.

(3) Retirement units are established for convenience in accounting for the replacements of major components of plant and equipment.

(a) A retirement unit establishes a physical dividing line by which costs of major work related to plant and equipment are capitalized. Costs to extend the life of or replace the retirement unit should be capitalized. All other costs related to the retirement unit should be expensed. A retirement unit is a component of plant and equipment that is capitalized in a separate account and invariably eliminated from the plant and equipment accounts when removed, transferred, sold, abandoned, or demolished.

(b) There should be a close coordination among the budget, accounting, engineering, project management, and technical staffs in the development and maintenance of retirement units. The development of retirement units should take into consideration such factors as use made of the item, retirement history of identical or comparable items, and the monetary and physical relationship of the item to the associated property record unit. Although items identified as retirement units are capitalized in the accounting records, from a budgeting perspective, the substitution of a new retirement unit of essentially the same type and performance capabilities as the replaced retirement unit should be funded out of operating funds.

However, the substitution of a new retirement unit having significantly improved and superior performance capabilities beyond those of the replaced retirement unit is considered betterment and should be funded out of capital funds.

(4) Each field element or integrated contractor will develop and maintain its own property record unit catalog or one that may serve all activities reporting to that element. Approval by the head of the field element or a designee is necessary for new catalogs and revisions of sections of existing catalogs. DOE review and approval of property record unit additions and deletions by contractors should be done annually by the cognizant field Chief Financial Officer (field CFO). A property record unit catalog describes the property record units that DOE owns. It provides a basis for a common understanding as to the manner in which PP&E costs are assembled and recorded in the field and contractor PP&E records. The description of each property record unit is intended to provide sufficient information to identify the unit in the PP&E records and for physical inventory purposes. The retirement units applicable to each property record unit provide a basis for distinguishing between capital (PP&E) and expense charges. A property record unit catalog should have the following principal features:

(a) An explanation of the property record units, what they consist of, and the descriptions used and type of asset;

(b) The manner in which the units are to be recorded in the property records, whether as individual items or as a group of similar items;

(c) A list of the retirement units applicable to each property record unit; and

(d) The current Departmental capitalization criteria.

f. Guidelines for Distinguishing Property, Plant, and Equipment Expenditures from Operating Expenditures.

(1) Although operating expenditures and PP&E expenditures are now consolidated under the same appropriation, separate functional classifications are required, and the distinction between operating and PP&E expenditures must be maintained at all levels of procuring, accounting, and reporting.

(2) Consider the following two factors in determining whether an action should be classified as PP&E: the nature of the item to be purchased or constructed and the service life and cost of the item to be purchased or constructed. Budget and procurement procedures should ensure that PP&E procurements are properly matched tocorresponding funding ceilings. The various types of PP&E items may be categorized broadly as follows:

(a) Plant.

1. *Land* includes land rights, depletable resources (minerals and timber), and improvements to land.

2. *Buildings* include all structures, additions, or improvements to structures (but not normal maintenance).

3. *Construction* includes all elements associated with construction in progress.

4. *Utilities* include water and sewage systems; heating, cooling, and power systems; communications systems; and fire prevention systems.

(b) Equipment.

1. Heavy equipment includes all vehicles, railroad stock, processing or manufacturing machinery, shop machinery, reactor or accelerator machinery, and reserve construction machinery.

2. Special and scientific equipment includes medical, laboratory, and security equipment.

3. Automated data processing equipment includes computers, printers, cathode ray tubes, operating system software, and interface peripherals.

(3) The following are examples of costs that are expensed:

(a) Plant.

1. *Land*. Expense normal maintenance and repair, such as periodic vegetation control, repairs to

sections of sidewalks, and roads that are less than a retirement unit.

2. *Buildings*. Expense normal maintenance and repair, such as painting, cleaning and small repair jobs not resulting in an addition, replacement of a retirement unit, or a betterment. Alterations are also expensed.

3. *Construction.* Expense demonstration plants that have limited service lives and that will not be used for actual production or operations.

(b) Equipment.

1. Expense equipment not meeting the capitalization criteria.

2. Expense conceptual design, fabrication, testing, and reworking of prototype equipment subject to redesign as fabrication and testing are performed. This usually applies only to the first unit if several similar units are to be acquired.

3. Expense testing and reworking of prototype equipment for which design has been established.

(4) The appropriate funding source (operating or PP&E) can also be determined by relating funding needs to specific project activities as defined below (detailed description of the services provided can be found in DOE Order 413.3A, "Program and Project Management for the Acquisition of Capital Assets"):

(a) Initiation Phase. During this phase, preconceptual planning activities focus on the Program's strategic goals and objectives. User needs are analyzed for consistency with the Department's strategic plan, Congressional direction, administration initiatives, and political and legal issues. One outcome of the analysis could be a determination that a user need exists that cannot be met through other than material means. This outcome leads to the development and approval of a Mission Need Statement.

(b) Definition Phase. Upon approval of mission need, the project enters the Definition Phase where alternative concepts, based on user requirements, risks, costs, and

other constraints, are analyzed to arrive at a recommended alternative. This is accomplished using Systems Engineering and other techniques and tools such as alternatives analysis and Value Management/Value Engineering. This ensures the recommended alternative provides the essential functions and capability at optimum life cycle cost, consistent with required performance, scope, schedule, cost, security, and environment, safety and health considerations. During this phase, the required Value Management assessment is completed, and more detailed planning is accomplished which further defines required capabilities. The products produced by this planning provide the detail necessary to develop a range of estimates for the project cost and schedule.

(c) Execution Phase. Following the Definition Phase, preliminary design activities mark the beginning of the Execution Phase. Systems Engineering continues to balance requirements, cost, schedule, and other factors to optimize the DOE O 413.3A design, cost, and capabilities that satisfy the mission need. Engineering and design continue until the project has a sufficiently mature design that can be implemented successfully within a firm Performance Baseline. During this phase, the initial design concepts and the preliminary design are developed into detailed and final designs and plans. These plans are used to procure or manufacture components, fabricate subsystems, or construct, remediate, decommission or demolish facilities. Major activities in this phase include:

1. Establishing Performance Measurement Baselines and implementing change control procedures;

2. Satisfying environmental and safety requirements;

3. Obtaining approved National Environmental Policy Act documentation, if required, prior to the start of detail or final design;

4. Continuing to refine and optimize cost estimates, schedules, and designs;

5. Approving the final design for procurement and implementation; and

6. Identifying and addressing security concerns. Execution comprises the longest and most costly phase of a project. Value Management and Value Engineering are implemented throughout the project Execution Phase to ensure the most effective solutions are implemented. If the delivery method is Design-Build versus Design-Bid-Build and a single contract is awarded for both design and construction, it may be necessary to tailor the project's execution process to allow the project team to propose cost-effective innovative approaches that reduce project duration and cost.

(d) Transition/Closeout Phase. When the project nears completion and has progressed into formal transition and commissioning, which generally includes final testing, inspection, and documentation, the project is prepared for operation, long-term care, or closeout. The nature of the transition and its timing depends on the type of project and the requirements that were identified subsequent to the mission need.

g. Accounting for Repair, Maintenance, Alterations, and Betterments.

(1) **Repair** is the restoration or replacement of a deteriorated item of PP&E, such that it may be utilized for its designated purpose. The cost of repair, which is normally charged to an operating expense account and includes amounts for labor and associated supervision and materials, as well as indirect and other costs incurred in such repairs, may include the costs to replace items of PP&E designated as retirement units. (PMAs should refer to publications and studies on utility plant service lives.)

(2) **Maintenance** is the recurring day-to-day work that is required to maintain and preserve PP&E in a condition suitable for it to be utilized for its designated purpose. It differs from repair in that it is normally worked to correct wear and tear before major repair is required, and it is usually less involved than repair work. Maintenance work is typically also charged to an operating expense account. Preventive maintenance is a specialized category for the broader category of maintenance and is typically charged to an operating expense account.

(3) **Alterations** are adjustments to interior arrangements or other physical characteristics of an existing property record unit so that it

may be more effectively adapted to or utilized for its designated purpose. It does not result in a betterment to the property record unit. The following are examples of alterations:

(a) Removal or installation of interior walls for purposes of rearranging the layout of an office building, and incidental heating and ventilation ducting system modifications that do not significantly extend the capacity of the system;

(b) Construction of a door or passage through an interior structural wall; and

(c) Installation of new lighting fixtures that do not significantly increase the lumens emitted but may result in energy or maintenance savings.

(4) **Betterments** are improvements to PP&E that result in better quality, higher capacity, or an extended useful life, or work required to accommodate regulatory and other requirement changes. Betterments are capitalized. Determining when and to what extent an expenditure should be treated as a betterment requires judgment. When a minor item is replaced in each of a number of similar units, the costs, is the proper basis for determining whether or not a betterment is effected. Although a particular project may meet the characteristic of a betterment, if the capitalization criteria are not met or the improvement added is insignificant, then the project should be expensed. Listed below are various terms which are commonly used to describe various categories of betterments:

(a) **Construction** is the erection, installation, or assembly of a new plant facility; the addition, expansion, improvement, or replacement of an existing facility; or the relocation of a facility. Construction includes equipment installed in and made part of the facility and related site preparation; excavation, filling and landscaping, or other land improvements; and the design of the facility. Examples of improvements of an existing facility include the following types of work:

1. Replacing standard walls with fireproof walls;

2. Installing a fire sprinkler system in a space that was previously not protected with a sprinkler system; and

3. Replacing utility system components with significantly larger capacity components (for example, replacing a 200-ton chiller with a 300-ton chiller) and converting the functional purpose of a room (for example, converting an office into a computer room).

(b) **Conversion** is a major structural revision of a facility that changes the functional purpose for which the facility was originally designed or used.

(c) **Replacement** is a complete reconstruction of a plant record unit that has deteriorated or has been damaged beyond the point where its individual parts can be economically repaired. If the item replaced is a retirement unit, its original costs (including installation cost) are removed from the PP&E categories, and the cost of the newly installed item (including installation cost) is added to the PP&E categories.

h. Plant and Equipment Changes.

(1) **Construction Work in Progress.** The Construction Work in Progress account includes costs of additions and retirements of PP&E that is in progress and is being accumulated during the acquisition or construction period. The acquisition cost of construction work in progress should be closed to the completed PP&E categories when the equipment and facilities are placed in service (that is, beneficial occupancy) even if the entire project is not financially completed. The acquisition cost of items being retired should be closed to the appropriate accumulated depreciation account when items are actually disposed of. All costs that relate to PP&E changes in progress and the cost of unconsumed construction materials, supplies, and temporary construction facilities should be included in the account. Detailed accounting records should be maintained for the following (when work is performed under cost-type contracts, the detailed accounting records for each project or job should be further subdivided to facilitate cost control and to make entries to PP&E categories and continuing property records):

(a) Each construction project or job, for example, construction materials and supplies, construction equipment, and temporary facilities, and

(b) Each type of capital equipment.

(2) **Demolition, Dismantling, and Removal Costs and Salvage Credits.** Removal costs should be accounted for as Construction Work in Progress when the removal is in connection with an authorized construction project or an equipment project and when one of the following conditions is met:

(a) Costs are incurred when it is economical to salvage or reuse items;

(b) The removal is necessary for health and safety considerations; or

(c) Contractual agreements require removal.

(3) **Abandoned Projects.** Project costs should include costs incurred because of the cancellation of all or part of a contract or purchase order to procure, manufacture, or assemble an item of PP&E. These costs, less any salvage credits, should be distributed over the remaining units of property within the project for project accounting purposes, except where such distribution significantly distorts the cost of the remaining property units. Where such distortion occurs, the costs of the abandoned project or project segment may be closed from Construction Work in Progress to Abandoned Projects. All charges to abandoned projects should be approved by the head of the field element.

i. Responsibilities.

(1) Integrated contractors should be required to maintain summary financial control records for their subcontractors having DOE-owned property in their possession, and DOE field elements should do the same for all integrated and offsite nonintegrated contractors for which they are responsible. Property records should facilitate control of the costs of work in progress and should indicate whether an item has been capitalized or not. The summary financial control accounts maintained by DOE field elements and integrated contractors should include as a minimum the reporting code of the organization holding the property, the site code, the type of property (asset type), the acquisition cost, the accumulated depreciation, and the use status code. DOE field elements and integrated and nonintegrated contractors must maintain accurate and up-to-date accounting records to provide the proper

accountability for DOE's investment in property. As property is acquired, transferred, retired, or otherwise taken out of service because of loss, consumption, or casualty, documentation should be prepared, retained, and used to support entries into the accounting records, to authorize disposals and transfers, and to explain total or partial losses of property.

(2) Three offices are responsible for establishing DOE policy for property management: the Office of Chief Financial Officer, the Office of Engineering and Construction Management, and the Office of Procurement.

(a) The Chief Financial Officer (CFO) carries out property accounting responsibilities through the Office of Financial Policy, which develops accounting policies and procedures related to appropriated funds and fiscal policies for exercising stewardship over the Department's assets.

(b) The Office of Engineering and Construction Management serves as the Department's official point of contact relating to the acquisition, use, or disposal of real property.

(c) The Office of Procurement is responsible for property management through the promulgation of acquisition regulations and financial assistance rules governing DOE property held by contractors. In addition, the Property Management Division develops and maintains procedures, standards, and guides for property, supply, and equipment management programs; for personal property management; and for the Defense Production Act of 1950 priorities and allocations program.

2. REAL PROPERTY.

a. Definitions.

(1) **Real property** includes land, improvements on the land, or both, and interests therein. The chief characteristics of real property (real estate) are immobility and tangibility. It comprises land and all things of a permanent and substantial nature affixed thereto, whether by nature or by "human hand." By "nature" is meant trees, the products of land, and natural resources; by "human hand," those objects, buildings, fences, or bridges that people erect upon the land. Equipment or fixtures, such as plumbing, electrical, heating, built-in cabinets, and elevators, that are installed in a building in a more or less permanent

manner usually are held to be part of the real property. Real property may also include triple-wide trailers or modular units joined together so that the structure is not portable and cannot be relocated without being dismantled and thus losing its identity. Trailers double-wide or less, used as temporary or mobile facilities should be considered personal property when not acquired or intended for permanent use.

(2) **Related personal property** is any personal property that is an integral part of real property or is related to, designed for, or specifically adapted to the functional or productive capacity of the real property, the removal of which would significantly diminish the economic value of the real property or the related personal property itself. Examples of related personal property are communication systems and telephone systems. Normally, common-use items, including but not limited to general-purpose furniture, utensils, office machines, office supplies, and general-purpose vehicles, are not considered related personal property.

b. **Financial Controls Over Real Property.** Detailed records of DOE-owned property should be maintained by the DOE field element, or by a designated contractor. The only exception to this requirement is that Government-owned land and land rights should be included in the detailed records of the responsible DOE field element. The summary financial control records maintained by field elements and contractors should include, at a minimum, the reporting code of the organization holding the property, the site code, the type of property (asset type), the acquisition cost, the accumulated depreciation, and the use of status code. Accurate and up-to-date accounting records should be maintained to provide the proper accountability for DOE's investment in property. As property is acquired, transferred, retired, or otherwise taken out of service because of loss, consumption, or casualty, documentation should be prepared, retained, and used to support entries into the accounting records, to authorize disposals and transfers, and to explain total or partial losses of property.

c. **Purchase of Real Property is accounted for as follows:**

(1) The cost of land and land rights includes the purchase price, other acquisition costs, and net costs of removing or wrecking any facilities acquired with the land.

(2) The cost of completed facilities purchased from non-Government sources includes the purchase price, other costs incident to the purchase, and the net cost of converting the facilities to make them

useful to DOE. Exceptions to this policy must be authorized by the CFO.

d. **Improvements to Property of Others.** The Comptroller General has established as Government policy that, in general, the Government may not make permanent improvements to non-Government-owned land. The basic premise on which the Comptroller General has allowed exceptions to the policy against permanent improvements to private property is whether the Government's interests in the overall project are adequately protected with respect to such improvements. In making such a determination, the Comptroller General has established the following general criteria that must be addressed in order to allow the use of Federal funds for such improvements:

(1) The expenses of the improvements are nominal in comparison with the total price of the contract;

(2) The improvements are incident to and essential for the accomplishment of the authorized purpose of the appropriation; and

(3) Improvements are used for the principal benefit of the Government (46 Comp. Gen. 26, 27, (1966); 42 Comp. Gen. 480 (1953)).

e. **Leasing.** A lease is an agreement conveying the right to use an asset or part of an asset (such as part of a building) from one entity (the lessor) to another (the lessee) for a specified period of time in return for rent or other compensation. For additional guidance on leases refer to Chapter 5, "Accounting for Obligations," paragraph 4a(7)(d), and Chapter 11, "Liabilities," paragraph 2h. There are two types of leases: an operating lease and a capital lease.

(1) **Operating Lease.** An operating lease is a rental agreement requiring periodic payments for the use of an asset during a period. An operating lease does not represent the purchase of an asset; consequently, no new assets are recorded in the accounting records of the lessee.

(2) **Capital Lease.** A capital lease is an agreement that transfers substantially all the benefits and risks of ownership to the lessee. If, at its inception, a lease meets one or more of the capital lease criteria in the SFFAS, it should be classified as a capital lease by the lessee. Otherwise, it should be classified as an operating lease. For leased equipment see 10-23.

(a) **Lease Purchase.** A lease purchase is a special category of capital lease. A lease purchase is an agreement that meets capital lease criteria. In addition, the agreement indicates no substantial private risk; that is, either there is an explicit Government guarantee of third-party financing, or the Government assumes all the risks of asset ownership. A determination of private sector risk must be assessed on a case-by-case basis.

(b) **Funding Exception.** A capital lease or a lease purchase of telecommunications equipment is considered to be a purchase of public utility services.

(3) **Leasehold Improvements.** Leasehold improvements should be recorded in the completed PP&E account using the improvement to the Property of Others asset type.

(4) **Criteria.** For specific criteria on distinguishing between operating versus capital leases, refer to the SFFAS for accounting purposes and OMB Circular A-11 for funding purposes.

f. Distinguishing Construction and Fabrication Activities from Research and Development. For budgeting, accountings, and reporting purposes, use the following criteria in distinguishing between the costs of research and development activities (operating expenses) and the costs of construction and fabrication activities (capital). These criteria are applicable regardless of whether the services are performed by a research and development, operating, architectural-engineering, or other contractor. When a DOE research and development laboratory or other operating contractor performs research and development activities and acts as prime contractor for design and construction work for DOE, provisions must be made for a clear separation of costs between these two categories of activities, in accordance with criteria described below.

(1) **Research and Development Activities**

Research and development activities generally include all work up to the time when the ideas or conceptual design for the project or individual components are crystallized and are ready for the preliminary design work (Title I) leading to a specific construction or fabrication project. Research and development activities include the development of conceptual designs, origination of ideas, and investigations to obtain scientific and engineering data, as well as activities directed toward the investigation and development of technical improvements in such projects, processes, systems, or components during the construction or

fabrication period. The transition from the research and development phase to the construction and fabrication phase generally will not occur at one time because the design and construction or fabrication of some systems and components may be in progress while research and development work on other systems and components is being continued. Further, with respect to a given component, research and development may be continuing simultaneously with its fabrication or construction to optimize the design and quality of the particular component and its integration into the plant as a whole. (Research and development expense funds should not be used for activities or items that are to be capital funded.)

(2) Construction and Fabrication Activities

Construction and fabrication activities generally include the design and engineering for a specific project or for the components of a project after the ideas or conceptual design are crystallized; the procurement, fabrication, erection, and installation of all materials and equipment constituting the project; models built for size and spacing in connection with preliminary (Title I) and final (Title II) design work; the preparation of operating manuals; and the preoperational testing of the project components. The cost of components that are constructed for a project but that fail to perform as expected and are abandoned, as well as post-crystallization-of-design engineering work, should be included in the cost of construction or fabrication activities. The cost of construction work performed by DOE and integrated contractors should include an appropriate share of indirect or overhead costs.

g. Experimental and Demonstration Projects.

(1) When such projects as full-scale test facilities or other prototype facilities are undertaken to obtain data related to specific investigations and to demonstrate the feasibility of a particular process, the costs incurred for design, procurement, or fabrication of components, the cost of assembly, and all costs of operations during the experiment may be budgeted and accounted for under an appropriate operating expense program activity. However, when the construction and final testing of such prototype or demonstration facilities are completed, the head of the field element should determine if the completed facility meets the capitalization criteria in paragraph 1d. If it does, then the cost of the completed project should be capitalized and recorded in the financial accounts for completed PP&E.

(2) When a facility is expected to continue to operate as an experiment or demonstration, or when it is expected that the experiment or demonstration will become a productive facility even though primarily constructed for experimental or demonstration purposes, it should be treated as a capital construction project for budgeting as well as for accounting purposes. Pilot plants also should be treated as capital construction projects when these plants are connected with full-scale construction plant engineering requirements and will be expected to continue to operate as models until the full-scale plant is constructed, in operation, and accepted for production purposes. When construction is completed, a pilot plant budgeted under operating expense because its service life could not be determined initially should be capitalized into the completed PP&E categories even though the plant is directly connected with the construction of a full-scale plant and is expected to operate only as a pilot plant until the full-scale plant is constructed, in operation, and accepted for its intended purpose. A final cost report should be provided to the field CFO of the cognizant field element for capitalization in the completed PP&E categories. The costs of designing and constructing all buildings or structures in which experiments or demonstrations are to be conducted–as well as the related auxiliary or supporting facilities, such as utility systems, roads, and walks–should be included in the construction project and capitalized when completed.

(3) Capital equipment required to support experimental and demonstration projects should be treated as capital equipment not related to construction unless it can also be reasonably expected to be consumed or destroyed during the experiment or demonstration. The costs of that equipment should be recorded in the completed PP&E categories when purchased, regardless of the source of funding.

(4) When it is not easy to ascertain the actual costs of items of PP&E that were budgeted and accounted for under the operating expenses appropriation that were subsequently capitalized, those items should be recorded in the completed PP&E categories by using estimated amounts approved by the head of the field element.

h. General Plant Projects (GPPs).

(1) GPPs are miscellaneous minor new construction projects of a general nature, the total estimated costs of which may not exceed the congressionally established limit. GPPs are necessary to adapt

facilities to new or improved production techniques, to effect economies of operations, and to reduce or eliminate health, fire, and security problems. These projects provide for design or construction (or both), additions, and improvements to land, buildings, and utility systems, and they may include the construction of small new buildings, repairs or additions to roads, and general area improvements.

(2) By their nature, GPPs are difficult to detail in advance and are subject to changing priorities and requirements, emergencies, and contingencies arising after the budget submission that may force changes in scope, schedule, and the order in which these projects are undertaken.

(3) GPP funds are not intended to be used in incremental segments to construct larger facilities. Care should be exercised to ensure that each specific project is a discrete, stand-alone entity. Each project is to result in the delivery of a complete and usable facility including the initial complement of equipment required for the facility to meet its intended purpose. In this regard, only GPP funds can be used to make the facility complete and usable.

(4) When design is funded in one fiscal year and construction is funded in the next fiscal year, every effort should be made to complete the construction as early as possible. The cognizant field element must maintain controls to ensure compliance with the congressional established limit and incremental funding prohibitions.

i. Existing Facilities Moved Because of Construction Activities.

(1) Moving existing permanent facilities, such as utility lines and roads, because of construction activities involves the retirement by removal or abandonment of existing facilities and the addition of new facilities. Such new facilities should be budgeted and accounted for as a cost of the new project. Removal costs should be charged to Construction Work in Progress for Removal Costs. Credit the book cost of materials reused in the new project to Construction Work in Progress for Salvage Credits, and charge the assigned cost to the new project. The book cost of other materials salvaged should also be credited to Construction Work in Progress Salvage Credits, and this cost should be charged to inventory or other appropriate accounts. Removal costs and salvage credits should be closed from these accounts to the appropriate accumulated depreciation account. The retirement loss (the difference between the new amount closed to the accumulated

depreciation account and the depreciation accrued on the retired facilities to the date of retirement) should be charged to Plant and Capital Equipment Adjustments Extraordinary Losses. The book cost of the retired facilities should be closed directly to the appropriate accumulated depreciation account.

(2) Costs of moving temporary construction facilities should be charged to Construction Work in Progress accounts and distributed to all projects served by the temporary facilities.

j. Closeout of Construction Projects.

(1) The total cost of a line item or general plant project or an operative unit within a project should be closed to the completed PP&E categories from the Construction Work in Progress account as close to the date of beneficial occupancy as possible, but generally not to exceed 6 months after each operative unit is placed in full service. Project management staff should notify finance staff of beneficial occupancy of a facility. Each principal element of a construction project, such as a building, a parcel of land, or a warehouse that has been physically and financially completed except for the settlement of minor outstanding claims should be closed to the completed PP&E categories on the basis of actual total cost incurred to date. To maintain project historical data, significant costs incurred in the settlement of claims outstanding at the time the project is closed, and claims arising after an element has been closed, should be recorded in the Construction Work in Progress account when paid, but subsequently closed to completed Plant and Capital Equipment. Necessary adjustments to the original costs of the related property record units previously recorded should be made. Insignificant costs that arise later may be written off through PP&E adjustments. Costs of individual elements closed during the year may be initially assigned to asset type Unclassified Plant and Equipment, but at yearend such costs must be appropriately reclassified (based upon estimates, if necessary) to their probable asset types.

(2) The finance and project management staffs should establish effective procedures to provide for the closing out of construction projects in whole or in part as soon as feasible after beneficial occupancy and acceptance by DOE.

(3) The prime construction contractor or architect-engineer should prepare the final cost report, depending on the type of contracting involved. The final cost report provides a basis for entering construction project costs in the continuing property records and a

means for determining the costs of property record units, and therefore should be prepared under the general joint direction of finance, construction, and property management in the responsible field element.

k. **Reporting Requirements.** The real property recorded on the financial records of DOE and its integrated contractors should be reported in the financial statements of the Department. Generally, the financial statements or the footnotes thereto should disclose, at a minimum, the following:

(1) Real property classified into the following categories (separated by depreciated and nondepreciated assets):

(a) Land and improvements, and

(b) Structures, facilities, and improvements.

(2) Construction Work in Progress;

(3) The basis for determining asset value; and

(4) Additions to and retirements of real property each fiscal year.

l. **Reconciliation of Real Property.** DOE organizations and integrated contractors should annually reconcile their real and related property records with summary financial control records. The annual reconciliation should use the financial control records as of 9-30. To assist with the reconciliation of the FIMS and the Standard Accounting and Reporting System (STARS), the following guidance should be observed:

(1) STARS should contain the official DOE financial control amounts.

(2) To permit agreement with the 9-30 STARS financial control records, restrict changes and additions to FIMS to real property changes incurred only through 9-30.

(3) To ensure that real property changes are recorded in the same month and amounts in both STARS and FIMS, both financial and facility management should coordinate real property changes.

(4) Only appropriate real property asset-type and use status codes should be used.

(5) The cognizant project manager should provide an allocation to the appropriate asset type codes for any project in which the property

has been accepted for beneficial occupancy, even though the final cost report is not complete.

3. PERSONAL PROPERTY AND CAPITAL EQUIPMENT.

a. Definition. For financial management purposes, personal property is generally capitalizable property that can be moved and that is not permanently affixed to and part of the real estate. Generally, items remain personal property if they can be removed without seriously damaging or diminishing the functional value of either the real estate or the items themselves.

b. Capital Equipment-Type Accounts. Ledger subsidiary accounts should be maintained to include capital equipment by account and additional data code elements, such as asset type, use status, and site.

c. Financial Controls Over Capital Equipment.

(1) All capital equipment, except as qualified below, should be recorded in the completed Plant and Capital Equipment ledger control account, which is supported by summary and detail accounts for each DOE activity.

(2) The Construction Work in Progress account should identify the costs to purchase, fabricate, and install individual items of capital equipment not related to construction using PP&E appropriated funds. When the individual items are installed and placed in operation (or, in the case of offsite nonintegrated contractors, reported in the semiannual report), they should be closed to the completed PP&E category. The costs to similarly acquire capital equipment using expense funds should be accumulated in the program value programmatic activities and transferred (using accounting entries) directly into the completed Plant and Equipment account.

(3) Financial records should not duplicate the detailed property records maintained by the cognizant property officer. However, for internal control purposes, the balances in the financial accounts should be reconciled semiannually with the detailed property records.

d. Equipment Acquired by Purchase.

(1) The cost of equipment acquired by purchase includes invoice cost, less discount, plus transportation charges, modification, and installation costs. If property acquired by purchase includes a trade-

in, the recorded cost of the purchased item should be the net invoice cost plus the allowance for the traded-in item.

(2) The amount capitalized under an installment contract includes the purchase price, other costs incident to the purchase (for example, freight), and the net cost to make the equipment ready for use. Record such equipment in the accounts at the time it is placed in service.

e. **Equipment Acquired by Lease.** The lease of capital equipment that meets the criteria as a capital lease (see paragraph 2e (2)) should be accounted for as a property acquisition at the time of delivery to DOE. The lease should be recorded at the lower of the property's fair value or the computed present value of the minimum lease payments by a debit to the completed PP&E category and an offsetting credit to a liability account (Deferred Credits). The difference between the total lease payment and the amount recorded as the capital lease is interest. A portion of each lease payment should be allocated to interest expense, and the balance of the payment should be applied to reduce the lease liability. To compute the amount allocated to interest expense, the same interest rate should be applied to compute the present value of minimum lease payments. PP&E Acquisition from Capital Leases, should be used for the asset write-on accounting entry.

f. **Equipment Acquired by Construction.** If an individual item of capital equipment related to a construction or fabrication activity is an integral part of that activity or is related to, designed for, or specially adapted to the functional or productive capacity of that activity, then the costs to purchase, fabricate, and install such an item should be included in the cost of the activity.

g. **Equipment Fabricated.** When the costs and estimated service life of items fabricated in a contractor's shop or by scientific personnel in a laboratory meet the capitalization criteria, the item should be capitalized and recorded in the Completed PP&E account. Actual costs should be used whenever possible, but a cost estimate, approved by DOE management, may be used when necessary.

h. **Equipment Acquired by Transfer.** (See Chapter 12, "Inter-Entity Transactions," for detailed instructions regarding the accounting for PP&E transfers between DOE offices, between DOE integrated contractors, and between DOE and other Federal agencies.)

i. **Plant and Equipment Acquired by Foreclosure Processes.** Property acquired by foreclosure processes should be recognized at its appraised

value. The difference between amounts due, costs incurred, and the appraised value of the assets acquired should be recognized as current period loss or gain.

j. **Property Acquired by Other Means.** Property acquired by donation, device, forfeiture, or confiscation should be recorded at the estimated fair value plus any costs incurred to place the property in use.

k. **Equipment Acquired by Research.** The cost of property purchased or fabricated for use in research may be charged to operating expense if the property is not expected to have a service life of 2 years or more in essentially its original form, even though it may meet the monetary and physical criteria that would otherwise require it to be accounted for as a PP&E addition.

l. **Capital Equipment Acquired Through an Interagency Agreement.** An interagency agreement is a written agreement entered into between two Federal agencies that specifies the goods to be furnished or tasks to be accomplished by one agency in support of the other.

(1) If capital equipment is purchased or otherwise acquired with other agency's funds, see paragraph 3m.

(2) If capital equipment is purchased or otherwise acquired with DOE funds pursuant to an agreement, unless otherwise agreed by DOE and the other Federal agency, the following should apply:

(a) The title thereto should vest in DOE;

(b) The other Federal agency should be accountable for the property until it is transferred to DOE; and

(c) The other Federal agency should maintain a record of capital equipment procured or fabricated.

(3) Unless expressly authorized by the contracting officer in advance, the other Federal agency should not be reimbursed for the procurement or fabrication of capital equipment.

(4) At the termination or completion of the agreement, accountability and control of items, regardless of dollar value, should be transferred to DOE, if so requested by DOE. If transfer is not requested, title should be transferred to the other Federal agency.

(5) Not later than 15 days after the close of each reporting period, the other agency should furnish DOE monthly or other periodic cost or financial reports in such form and detail as stated in the interagency agreement. Any costs incurred for capital equipment should be supported by a list showing the description, make, any serial number, and the cost of each item acquired.

m. **Property Belonging to Other Agencies.** Property belonging to other agencies includes property that is borrowed or that is in DOE's possession through purchase with funds provided by others to perform their work in accordance with an interagency agreement. Each organization having custody of any such property should establish detailed procedures to provide effective control over the property. Property control, including the vesting of title, should be in accordance with the terms and conditions of the agreement (see DOE-PMR 109-1.5105) or the working arrangements for the use of funds and property of others. It is not intended that DOE record such property in its financial accounts, nor that depreciation be recorded thereon, if title is vested in the other party or parties. However, property management personnel are responsible for developing and administering detailed procedures for the control or property belonging to other agencies.

n. **Special Tooling and Test Equipment.** Special tooling and test equipment costs for nuclear weapons production are typically funded with operating expense funds and are budgeted for and accounted for in the dominant end-use activity. Special tooling and test equipment includes all nonstandard manufacturing tools, vendors' tools, and quality-acceptance and in-process test equipment and gauges, as well as tools initially required for development but intended at the time of procurement or fabrication for use in the manufacturing of weapons. Special tooling and test equipment costs should be recorded in production inventory and unit-amortized to benefiting product over the total production schedule. As such, they are exempted from being capitalized.

4. GOVERNMENT-OWNED, CONTRACTOR-HELD PROPERTY.

a. **Purpose.** To set forth the general policy to be used by the office of the field CFOs for establishing financial accounting for Government-owned, contractor-held property. Detailed property records maintained by contractors should not be duplicated by DOE. Financial control accounts are to be maintained by the appropriate office of the field CFO. Contractors' procedures are not covered except to the extent that such procedures must accurately and reasonably produce the information that is required by DOE to maintain accurate financial records of property. This section does not attempt to supplant the requirements of the Federal Acquisition or Property Management Regulations or the DOE

Acquisition or Property Management Regulations for maintaining control over Government property, but it discusses topics of common interest to both finance and property management personnel.

b. Integrated Contractors.

(1) Definition. An integrated contractor is a contractor that works for DOE; uses DOE funds to finance its operations under a cost-type contract; and maintains a separate set of accounts and records for the recording and reporting of all business transactions under the contract in accordance with DOE accounting practices and procedures, and whose accounts, maintained for operations under the contract, are integrated with those of DOE.

(2) Financial Controls.

(a) The financial control between DOE and the integrated contractor is accomplished by integrating the contractor's accounts with those of DOE.

(b) At a minimum, property records of integrated contractors should include the following data, which should be useful to both finance and property management personnel:

1. Account and supplementary data code number (such as asset type, use status, and site);

2. Property record unit title and description, including inventory or property control number (U.S. Government identification tag number);

3. Location data sufficient to facilitate physical inventories and provide other necessary administrative controls;

4. Date of accounting entry;

5. Reference to accounting journal entry, project number, and other project information;

6. Date placed in service, if substantially different from the date of accounting entry;

7. Additions, quantity and dollar amount (acquisition cost, net of discounts);

8. Retirements, quantity and dollar amount; and

9. Standard or estimated service life.

(3) **Reporting Requirements.** Reporting requirements of integrated contractors are a part of the normal monthly or other periodic submissions to the cognizant STARS site.

(4) **Reconciliation Requirements.** The integrated contractor should identify, explain, and report to DOE the differences between its property records and the summary financial control records. The field CFO should approve all accounting adjustments to the financial control accounts.

c. **Nonintegrated Contractors.**

(1) **Definition.** An offsite nonintegrated contractor is one that works for DOE, receives DOE funds in reimbursement of operations, and maintains an accounting system for the recording and reporting of all business transactions under the contract and whose accounts are not integrated with DOE. An offsite nonintegrated contractor is not a transportation contractor, grantee, cooperative agreement recipient, or state or local government. The contractor is directly responsible and accountable for all Government property in its possession or control in accordance with the provisions of the contract, including property provided under such contract that may be in the possession or control of a subcontractor.

(2) **Financial Controls.** An offsite nonintegrated contractor should establish and maintain adequately detailed financial records on property acquisition, disposition, and fabrication as required by the contract. The cognizant field CFO should maintain the summary financial control accounts. At a minimum, property records of nonintegrated contractors should include the following data:

(a) Contract number;

(b) Asset type;

(c) Description of item (name and serial number);

(d) Tag number (Government ownership identity);

(e) Acquisition document reference and date;

(f) Manufacturer's name and model number;

(g) Location (physical area);

(h) Unit acquisition cost (including delivery and installation);

(i) Use status; and

(j) Site code.

(3) **Reporting Requirements.** The cognizant field CFO should establish procedures to require that payment vouchers submitted by contractors itemize accountable property purchases, categorized by DOE funding type, and record this information accordingly. In addition, the contractor should prepare a semiannual report (as of 2-28 and 8-31 of each year) for each of its contracts and subcontracts, showing, by asset type, the dollar amount and the number of line items of PP&E that were acquired, fabricated, or disposed of during the period. At a minimum, the report should show the beginning balance, acquisition, fabrication, disposition, and ending balance. The report should be submitted 45 days after the end of the reporting period, or final date of the contract if applicable. The original and two copies of this report should be sent to the property administrator, who, in turn, should provide copies to the contracting officer and to the servicing financial organization.

(4) **Reconciliation Requirements.** The above semiannual report provides DOE with financial data on DOE-furnished or contractor-acquired property in which title is vested with DOE, and facilitates the reconciliation of the detailed property accounts of the contractor with the summary financial control accounts of the cognizant DOE field element. Reconciliation means to compare the dollar acquisition cost, by asset type, of property in the possession of a contractor with the dollar, by asset type, of property in the corresponding financial control account. The contractor should identify and explain differences, and the field CFO should approval all accounting adjustments to the financial control accounts.

5. CONDUCT OF PHYSICAL INVENTORIES.

a. **Frequency.** Physical inventories are to be conducted at all DOE and contractor locations at regular intervals. Physical inventories of real property (such as fencing, buildings, other structures, utilities, and related support systems) are taken at least every 10 years. Physical inventories of

capital equipment are to be taken at least every 2 years; sensitive items of equipment easily converted to or for personal use should be inventoried more frequently, whether recorded in the completed PP&E categories or in the equipment accountability records. When experience indicates that an exception to the above inventory cycle is warranted, prior approval of the Deputy Assistant Secretary for Procurement and Assistance Management will be requested, identifying the equipment classification, past experience on physical inventories, the recommended inventory cycle, and any other justification to the change.

b. **Reporting of Inventories.** The results of all physical inventories of completed PP&E items taken at DOE field elements and at contractor locations should be provided to the property administrator, who should furnish a copy to the contracting officer and the field CFO for reconciliation with established financial control accounts. Inventory summaries should be prepared, showing cost, by asset type, to facilitate this reconciliation. A signed statement should accompany the results of each physical inventory, stating when the inventory was completed and whether the inventory agrees with the property records. A listing will be provided showing differences (item, quantity, cost, and circumstances). The head of the field element, the property administrator, and the field CFO should investigate all significant discrepancies identified through the physical inventory and reconciliation process, determine the causes, and effect remedial measures where possible in order to safeguard against waste, theft, and misuse of property. Adjustments to the accounting records for discrepancies between results of the physical inventory and the recorded PP&E should be supported by detailed adjustment analyses approved by responsible officials, including contracting officers, property administrators, directors of administration, and field CFOs.

6. PROPERTY ACQUIRED UNDER GRANTS, COOPERATIVE AGREEMENTS, AND SPECIAL RESEARCH CONTRACTS.

a. **Introduction.** This section establishes the criteria for the financial recording of property acquired or furnished under the terms of DOE grants and cooperative agreements.

b. **Reporting Requirements.** Annually, and at the completion of the agreement, recipients must provide to the contracting officer (who should provide a copy to the office of the field CFO) an inventory listing of DOE-owned property in their custody.

c. **Reconciliation Requirements.** The inventory reports should serve as the basis for reconciliation of capital assets with the financial control accounting records of the cognizant field CFO.

7. DEPRECIATION.

a. Introduction. Assets are recorded at acquisition cost and in accordance with definitions of types of assets (such as buildings, motor vehicles, and computers). It is the policy of the Department to report depreciation for all Departmental activities and programs. Accumulated depreciation accountsare maintained and reported for each asset type classification of PP&E except Minerals and Timber, for which accumulated depletion accounts are appropriate, and Land, which is not depreciated. Depletion is further explained in paragraph 7f(4).

b. Depreciation Base.

(1) Depreciation charges should be based on the cost of depreciable assets recorded in the PP&E categories, less the estimated net salvage value, if significant. Net salvage value is the actual or estimated amount recovered or recoverable from the sale, transfer, or reuse of retired PP&E, less expenditures for the sale or transfer. Charges to inventory or other appropriate accounts for reusable materials or parts recovered from retired units also are considered as salvage (including plant and equipment with inherent useful value, as well as the value as scrap material).

(2) Generally, all limited-life property, including property being acquired by capital lease, is considered depreciable, whether in service or in standby.

(3) All items of property that have an unlimited life, or for which the salvage value is estimated to equal the original cost of the assets, should be considered as nondepreciable. Such assets include those recorded in the asset type classifications for Land, Land Rights, and Site Preparation, Grading, and Landscaping. However, land rights acquired for a limited period of years are depreciable.

(4) The straight-line method of assigning depreciation expense to accounting periods is to be used generally throughout DOE. The units-of-production method may be used only in special cases where applicable, such as depreciating automotive equipment on a mileage basis or construction equipment on a hourly use basis.

(5) Depreciation should not be calculated for the following PP&E categories: Excess Plant and Equipment, and Reserve Construction Equipment Pool. PP&E should not be depreciated in the process of construction until the facility, or segment thereof, is placed in

service and the cost closed or transferred to the completed PP&E categories.

c. Depreciation Methods. The following methods of applying straight-line depreciation may be used:

(1) Unit Procedure for Computing Depreciation Expense. Under the unit procedure, a unit of property is depreciated at a rate based on its specific service life. If it is retired from service because of normal causes before the expiration of its estimated service life, the retirement loss is charged to depreciation expense and a credit is made to the accumulated depreciation account.

(2) Group Procedure for Computing Depreciation Expense. Under the group procedure, an average service life is determined for all like units. An average depreciation rate is determined and applied to the total cost of a group of similar units. Depreciation expense applicable to surviving units in the group continues as long as any of the units remain in service, regardless of age. At the time the retirement work order is closed, and if the retirement is due to normal causes, the original cost of the retired facilities may be charged to the accumulated depreciation account, and no loss or gain is recognized.

(3) Composite Depreciation Rates. Composite depreciation rates may be applied to PP&E categories in computing depreciation amounts, provided the composite rates are based on calculations using particular groups of assets (for example, trucks, cars, and buses) and their applicable individual rates, and not on rough general estimates. Composite rates should be computed by applying the appropriate individual rates to the cost of each group included in the account and dividing the sum of the amounts thus obtained by the total balance of the account. Composite rates should be redetermined whenever substantial changes occur in the relative proportion of different groups in an account or when individual rates based on standard service lives are changed. To illustrate, assume a PP&E category includes three groups of units, each having a different depreciation rate. The computation of the composite rate would be as follows:

Group	Book Cost ($)	Rate(%)	Annual Depreciation ($)
1	10,000	20 (5 years)	2,000
2	5,000	16.6 (6 years)	830

3	35,000	10 (10 years)	3,500
	50,000		6,330

The composite annual depreciation rate in this situation would be:

$\frac{\$6,330}{\$50,000} = 12.7\%$

d. Standard Service Lives

(1) List of Standard Service Lives. When standard service lives are provided as part of the procurement or build to of a PP&E, the provided service life should be used for depreciation purposes. Absent a service life, the list in Attachment 10-1 should be used to determine depreciation rates for all other items of completed PP&E except for those items having service lives that are materially different from normal averages because of the peculiarity of their use or other special conditions. The list is expanded or revised as required. Extraordinary obsolescence and nonrecurring casualties were not considered in establishing these standard service lives.

(2) Revision to Standard Service Lives. Requests for each revision to the standard service lives should contain a complete description; use made, unit costs, retirement history of identical or comparable items, and recommended service life (including support for the recommendation). In addition to this information, the following must also be described fully: the peculiar uses or other considerations, the dollar investment in the anticipated net salvage value of PP&E for which revision is requested, and any other information considered pertinent to the specific case. The CFO should review and approved all requests for revision to the list of standard service lives. (PMAs should refer to publications or studies on utility plant service lives.)

e. Recording Depreciation. Depreciation should be recorded monthly. When major retirements or additions occur that are large enough to materially affect the depreciation expense related to unit product costs or to the depreciation expense applicable to other DOE activities (such as work for others), adjustments to the depreciation base should be made effective with the first of the month following the month in which the change occurred. Depreciation on the PP&E in each use status should be treated as follows:

(1) In Service. Depreciation on PP&E in service should be charged to the appropriate program values (for example, production cost,

development, research, or program directions) in which the items are used.

(2) **In Standby.** Depreciation on PP&E in standby should be charged to the budget and reporting classification of former use. However, when there is a definite plan for the future use of the PP&E in standby, depreciation should be charged to the program values of future use. However, standby expense items applicable to production activities should be reported (but excluded from product inventory) as other production expenses.

(3) **Equipment Held for Future Projects.** To the extent that equipment in this classification can be identified as being held for use in a given program values, the depreciation expense on such equipment should be allocated to that program values. For equipment held for general or multipurpose use, depreciation expense should be allocated to program values on a reasonable and equitable basis.

(4) **Excess.** Depreciation on excess PP&E should not be calculated.

f. **Exceptions.**

(1) **Extraordinary Obsolescence.** Premature retirements of large groups of facilities that make up an entire process or other function, or a large segment of a process or other function, that result from unusual and revolutionary changes in technique or other radical changes approved by DOE are considered as retirements due to extraordinary obsolescence. Such retirements cannot be foreseen or anticipated and therefore are not considered in establishing depreciation rates. Retirement losses resulting from extraordinary obsolescence should be accounted for by debiting Plant and Equipment Adjustments–Extraordinary Obsolescence and crediting the appropriate accumulated depreciation account. Retirements of isolated individual units of equipment should not be considered as resulting from extraordinary obsolescence.

(2) **Casualties.** Retirements of PP&E resulting from casualties that cannot be foreseen or anticipated, such as storms, earthquakes, explosions, and fires, should not be used in establishing depreciation rates. At the time of retirement, the net book cost of PP&E retired due to such causes should be written off as a cost.

(3) **Depreciation of Improvements to Property of Others.** Depreciation accruals on PP&E included in the Improvements to

Property of Others account should be based on the normal service lives of the PP&E involved or the estimated period of occupancy, whichever is less. Any cost of PP&E remaining on the records at the termination of the contract should be written off–either at that time or upon the disposal of the property–by charging the Plant and Equipment Adjustments account.

(4) **Calculation of Depletion.** To calculate depletion, an estimate is made of the amount of natural resources to be extracted, in units of tons, barrels, or any other acceptable measurement. The estimate of total recoverable units is then divided into the total cost of the depletable asset to arrive at the depletion rate per unit. The annual depletion expense is the rate per unit times the number of units extracted during an accounting period.

(5) **Oil and Gas Producers.** In computing depletion for properties that contain both oil and gas, convert the oil and gas reserves and the oil and gas produced to a common unit of measure on the basis of their approximate relative energy contents (without considering their relative sales values) unless either oil or gas clearly dominates both the reserves and current production. Units-of-production amortization rates should be revised whenever there has been a significant change in oil and gas reserves, but at least once a year. Capitalized costs should be amortized in the following manner:

(a) Acquisition, exploratory, and development costs of proved properties on a units-of-production basis, using recoverable reserves;

(b) Costs of facilities for extracting, gathering, and storing oil and gas on a units-of-production basis; and

(c) Cost of gas plants on a straight-line basis (one half of 1 year depreciation in the year of acquisition, and the other half in the year of disposition).

ATTACHMENT 10-1

STANDARD SERVICE LIVES

Item	Service Life (Years)
Absorbers	20
Accelerators	20
Acid handling equipment	10
Absorbers	20
Agitators and mixers	20
Air-conditioning equipment:	
Large (over 20 tons)	20
Medium (5-20 tons)	15
Small (under 5 tons)	10
Air coolers (spray oil)	20
Aircraft	12
Air preheaters	25
Air supply units	20
Alley, robot, complete	10
Ash handling systems	20
Autoclaves	20
Automatic data processing equipment	5*
Automotive equipment:	
Ambulances	10
Buses, passenger	10
Carriers, weapon	10
Cars, armored	10
Jeeps	5
Sedans	6
Scooters	6
Station wagons	6
Trailers, automotive (all types)	10
Trucks (all types):	
Heavy	10
Light	8
Bag sealers	20
Baking panels	20
Balers:	
Metal	25
Paper	20
Bar turners	15
Bath, temperature	20
Batteries, storage (stationary)	10
Battery chargers	10

Item	Service Life (Years)
Beds, cooling	25
Benches, work:	
Metal	10
Wood	15
Bevatrons	20
Binoculars and telebinoculars	15
Bins, storage:	
Concrete	35
Metal	30
Wood	15
Blenders, dry material	20
Blowers, exhaust, portable	10
Blowers and fans	20
Boats	10
Boiler feed water system	25
Boilers	25
Boothers, ingot separation, complete	8
Boxes, fare	15
Breaching and flue systems	25
Breathing air system	20
Bridges, highway:	
Concrete	50
Steel:	
Heavy	50
Light	35
Wood	15
Briquetters	20
Buckets:	
Load lugger	20
Slug	20
Buildings:	
Temporary, light wood frame, plywood or sheet metal exterior walls or arched sheet metal construction	10
Prefabricated (rehabilitated flattops)	20
Wood framing, exterior walls covered with wood siding, asbestos shingles	30
Light steel structures with finished interiors	30
Masonry exterior walls, wood interior framing or steel frame with metal panel walls, corrugated sheet metal siding and roofing	40
Masonry exterior walls, concrete or steel frame	50
Bus, electrical	Same life as principal structure, but not to exceed 50 years
Cabinets, drying, firehose	15
Cable, aerial, telephone	30

Item	Service Life (Years)
Cable, underground:	
Telephone	30
Electric	40
Calciners:	
Pot	5
Trough	10
Tube:	
Under 1,000°C	10
1,000°C and above	5
Canning stations	20
Capacitors	25
Car mover or puller, railroad	20
Carrier current telephone equipment	15
Car spot, railroad	30
Cathodic protection units	15
Cells:	
Electrolytic	20
Electrolytic, steel-fluorine production	5
Mockup facilities	20
Structural	20
Centrifuges	20
Chargers, slug, portable	20
Chargers, stationary (remote charging cave)	25
Chime recovery system	10
Chime straightener	15
Chlorinators	20
Circuit breakers, power	25
Classifiers:	
Hydro	30
Mechanical, wet	30
Cleaners:	
Furnace pot	20
Natural gas	25
Clocks, watchman	15
Coal handling systems	20
Comminutors	15
Communication systems (excludes intercommunication systems)	30
Community furnishings and equipment:	
Barber and beauty shop equipment	10
Dormitory and hotel furniture and fixtures	15
Dry cleaning fixtures	15
Grocery store furniture and fixtures	15
Musical instruments	10

Item	Service Life (Years)
Playground equipment	10
Shoe repair shop equipment	15
Theater furniture and equipment	15
Compressors	25
Compressors, gaseous diffusion cascades	40
Concrete finishing machines, portable	10
Condensers:	
Gas	20
Synchronous	30
Conductors:	
Overhead	35
Underground:	
Electric	40
Telephone	20
Conduit, underground:	
Electric	40
Telephone	50
Containers, trash	15
Control systems	20
Converters	20
Converters:	
Condenser, and tube test system	15
Dry ice	25
Gaseous diffusion cascades	40
Conveyors	20
Coolant systems	30
Coolers	20
Cosmotrons	20
Counters, traffic	15
Cranes, mobile, crawler	15
Cranes and hoists, installed	30
Crucible loading stations	20
Crushers	20
Crystallizers (over 100-ft3 tank size, 40 ft of deck length, or 3 ft2 of cooling surface per linear foot)	15
Curtains, ventilation	10
Cutters, shade	10
Cyclotrons	20
Cylinders, product storage, steel	40
Dams	100
Deaerators	25
Decks, slime	20
Degasifiers	20
Degreasers	20

Item	Service Life (Years)
Deheaders, drum	10
Dehumidifiers (over 20-ft3 tank size)	20
Deionizers (over 100,000 g of CaCO)	25
Demineralizers	25
Demulsifiers	20
Denitration units	10
Digestors (over 100 gal)	10
Dishwashers, electric	10
Dissociators, ammonia	20
Dissolvers	10
Drainage systems, open	50
Drills, earth	10
Drum painting and drying stations	10
Drums, cylinders, and containers	10
Drunkometers	10
Dryers	20
Dumpers, drum	20
Dust collectors	15
Economizers	25
Elevators	25
Elevators, portable	10
Engravers and engravographs	10
Evaporators	20
Exciters	25
Exposure fields	25
Extrusion presses	20
“F” machines	20
Feeders	25
Fences:	
Chain link	25
Wire	15
Wood	15
Filter presses	20
Filters	20
Fire alarm equipment	25
Fire fighting equipment, mobile	15
Flagpoles	30
Flexible shafts, with motors	15
Freezers, electric	15
Furnaces:	
Electric:	
Reaction	20
Remelt	20

Item	Service Life (Years)
Hearth	25
Heat treating	25
Roasting	20
Tilting pot	20
Garage equipment	10
Generators:	
Electric:	
Emergency, turbine driven	30
Diesel driven	25
Motor driven	25
Gas	25
Van de Graaff	20
Geological equipment:	
Geiger counters	10
Scintillometers	10
Globes, geographic	15
Grates, sluice	50
Grease flotation units	20
Grounding systems	40
Ground wires, overhead	40
Guard towers	Rate according to type of construction
Guns, deluge	15
Gymnasium equipment (such as boxing rings, rowing machines, tumbling mats)	10
Health instruments	10
Heaters	25
Heaters, portable, electric:	
Over 10,000 Btu	10
10,000 Btu and under	5
Heat exchangers	20
Hoppers	25
Hospital and medical equipment:	
Beds and hospital furniture	15
Dental chairs	15
Medical instruments	10
X-ray equipment	15
Hot mix plants	20
Hydrants, fire	50
Hydraulic accumulator systems (pneumatic oil)	25
Hydraulic pressure boosters	20
Incinerators	20
Industrial trucks and tractors	10
Instrumentation, gaseous diffusion cascades	25

Item	Service Life (Years)
Instruments:	
Engineering	25
Industrial	15
Measurement and control	10
Surveying	25
Intercommunication systems	15
Irrigation canals	100
Janitorial service equipment	10
Jolters	5
Kettles, heating and melting	15
Kilns (over 50 ft3)	20
Laboratory equipment:	
Hoods	15
Photographic equipment	10
Professional and scientific instruments	10
Pumps and other general equipment	20
Sinks, cabinets, and other furniture	20
Special radiation instruments, apparatus, and accessories	10
Ladders, extension, metal (30 ft and over)	10
Laundry equipment	15
Lighting fixtures, street and fence	20
Lightning arresters	25
Light plants, emergency	25
Loaders	5
Locators, cable fault	15
Locker assemblies	10
Lubrication oil systems	20
Magnets, lifting	15
Magniflux machines	15
Manholes	40
Mannequins, thyroid uptake and calibration	5
Meters, customer:	
Electric	25
Gas	25
Water	30
Meters, speed:	
Electric	15
Radar	10
Mills, tumbling, wet grinding	20
Mixing machines, gas and air	20
Mobile and accessory equipment:	
Air compressors	15
Concrete mixers and pavers	10
Excavating machinery	10

Item	Service Life (Years)
Farm machinery	15
Pumps	20
Road machinery	10
Tractors	10
Welders:	
Electric	15
Gas	10
Mold coating systems	20
Monorail material handling systems	20
Motor generator sets	20
Motors:	
Electric	20
Internal combustion	10
Nets, lifesaving	15
Odorizers, natural gas	25
Office furniture and equipment:	
Furniture, fixtures, and filing cases:	
Metal	25
Wood	20
Mechanical equipment and machines	10
Safes and vaults	40
Oil bubblers	20
Oil recovery devices	20
Oil storage and filtering systems	25
Optical devices	25
Ovens, electric or gas	15
Partitions, movable	25
Photographic and reproduction equipment	10
Piles (see Reactors)	
Pipe supports, outdoor	20
Piping systems, indoor:	
Air	25
Gas	25
Process	25
Process, gas, gaseous diffusion cascades	40
Steam	25
Water	40
Piping systems, outdoor:	
Air	25
Gas	25
Process	25
Sewer	40
Steam	25
Water	40

Item	Service Life (Years)
Pistol or rifle range equipment	15
Platform lifts, portable	25
Platforms:	
Concrete	25
Steel	25
Transformer	20
Wood	10
Plating, coating, and stripping systems	5
Poles, crossarms, and fixtures:	
Steel	40
Wood	30
Pools, spray	20
Portable cranes, derricks, hoists, and winches	10
Portable scales	20
Portable tools:	
Air	10
Electric	10
Gasoline engine	10
Power mowers	5
Powerplants, portable	20
Power wiring system, indoor	25
Precipitators, electrostatic	20
Process equipment, heavy water	35
Projectors, contour	10
Proportioners, chemical	25
Protection equipment:	
Firearms	15
Fire extinguishers	10
Radio equipment	10
Protective breathing apparatus	15
Public address systems, portable	5
Pulverizers	15
Pumps:	
Water	20
Other	15
Purgers	25
Radiation source material:	
Cesium 137	15
Cobalt 60	5
Radium	50
Radios	10
Radio stations:	
Antenna	15
Towers	25

Item	Service Life (Years)
Transmitters	10
Railroad rolling stock:	
Cars	20
Locomotives	25
Railroads:	
Bridges and culverts	45
Grading and ballast	30
Rails and ties	25
Signal systems	25
Ranges, electric	15
Reactivators (100,000-g capacity)	25
Reactors (electrical system devices)	25
Reactors, nuclear:	
Production	25
Research	25
Receivers, air	25
Recreational facilities, outdoor	20
Rectifiers (over 10 kVA)	10
Refrigeration systems	20
Refrigerators	15
Regulators:	
Circuit and bus	25
Pressure	20
Remote handling equipment	10
Repulpers	20
Reservoirs and pits	50
Restaurant, cafe, and canteen equipment	10
Resuscitator units	15
Retaining walls:	
Concrete	40
Timber	20
Roads, walks, and paved areas:	
Asphalt	20
Concrete	30
Gravel or stone	15
Robots, general purpose	20
Rolling mills	20
Saddles	20
Sampler, automatic	15
Scales:	
Conveyor	20
Platform	20
Screens:	
Trash	35

Item	Service Life (Years)
Traveling	25
Vibrating	20
Scrubbers (tank over 20 ft3)	20
Security alarm system	25
Separation equipment	20
Septic tanks	35
Services:	
Electric	25
Gas	40
Sewer	30
Water	40
Sewage clarifier mechanisms	20
Sewer rod machines	20
Sewing machines	15
Shakers, car	20
Shears, powered	20
Shell loading machines	15
Shop equipment:	
Electric shop equipment	15
General maintenance shop equipment	10
Machine metalworking tools	25
Paint shop equipment	10
Pipe shop equipment	25
Plumbing shop equipment	25
Sheet metal shop equipment	25
Woodworking machinery and equipment	20
Shredders, paper	10
Silos:	
Concrete and masonry	50
Metal	40
Wood	20
Sludge drying beds	30
Sludge heaters	30
Slusher haulers	20
Spur tracks	25
Stacks:	
Concrete or masonry	50
Metal	30
Stitchers, wire	10
Stills	20
Straighteners, bar	20
Strapping machines	15

Item	Service Life (Years)
Structures, outdoor substation:	
Metal	40
Wood	25
Superheaters (tank over 20 ft3 or 100-ft2 surface)	15
Switchboards	20
Switches, disconnecting	20
Switchgear	30
Synchrotrons:	
Electron	20
Proton	20
Tables, pool	15
Tanks:	
Concrete	50
Metal	40
Process	25
Wood	15
Telephone exchange equipment	30
Telephone subscribers station equipment	30
Teletypewriter equipment	30
Thickener	20
Timer, driver training	20
Tools, process, installed	10
Towers:	
Chemical process	10
Cooling	15
Meteorological and other structural steel towers	25
Traffic lights	20
Transformers:	
Current and potential	25
Steel lighting	20
Transmission and distribution	30
Trestles	40
Tunnels	50
Turbines	25
Turbogenerators	30
Turntables (over 10 ft in diameter)	20
Unit substations	30
Vacuum systems	15
Vaporizers	20
Varidrives (over 5 hp)	20
Washers, drum or can	20
Waste gas burners	25
Water softening systems	25
Wells	40

Item	Service Life (Years)
Wires, open, overhead	25
Wiring systems, outdoor	30

CHAPTER 11
LIABILITIES

1. INTRODUCTION.

   a. Applicability. This chapter applies to all Departmental elements.

   b. Background/Authorities. This chapter prescribes the policies and general procedures for recording and reporting liabilities consistent with the Statement of Federal Financial Accounting Standards (SFFAS) or Government Accountability Office (GAO) Title 2 standards in the absence of SFFAS. Liabilities include those with: the environment; pensions and postretirement benefits; environmental safety and health; accounts payable; accrued expenses; interest payable; accrued payroll and benefits; accrued leave; deferred revenues, including advances; deposit funds; debt issued under borrowing authority and the Federal Financing Bank; loan guarantees and loan commitments; contingent liabilities; lease liabilities; and the Federal Employees Compensation Act. Additionally this chapter prescribes criteria for reporting liabilities covered by budgetary resources vs. those that are not.

   c. Policy/Objectives.

      (1) All liabilities shall be measured and recorded as accurately as possible, given the circumstances under which the liability was created.

      (2) Liabilities recorded in financial statements shall reflect invoices received and accruals for any costs incurred, and assets received for which progress billings, grant reimbursement requests, and other billings have not yet been received. Liabilities shall be recorded and/or footnoted irrespective of whether funds are available or authorized for payment.

      (3) Contingent liabilities shall be recorded as incurred liabilities if the loss is probable and the amount can be reasonably estimated. Loss contingencies that are judged to have a reasonably possible chance of occurring or that cannot be estimated should be included as a footnote on the financial statements.

      (4) Separate accounts are established for major categories of liabilities to facilitate their clear and full disclosure on financial statements. The accounting records will differentiate between Federal and non-Federal liabilities. Accounts will provide for the classifications contained in the Standard General Ledger Chart of Accounts (SGL).

      (5) Maintain accounts on an accrual basis. Costs and revenues shall be identified with and recorded in the period in which they are incurred, even if receipt of the revenue or payment for the expenditure occurs in a subsequent accounting period. A balance should be maintained between the effort required to measure accrued costs precisely and the added value of such precision.

      (6) When receiving advances and prepayments for services not yet rendered, record a

deferred revenue liability. When payment is earned, that is, goods or services have been delivered or contract terms have been met, the appropriate amount of revenues is recognized with a corresponding reduction in the liability.

2. TYPES OF LIABILITIES.

a. **Environmental Liabilities**. The DOE's environmental liabilities result primarily from research, production, and testing of nuclear weapons during World War II and the Cold War eras. Prior and current mission work, such as nuclear weapons stockpile activities and nuclear power technology development, also result in environmental liabilities.

The Department's Office of Environmental Management (EM) is responsible for managing the legacy of contamination from the nuclear weapons complex. As such, EM manages thousands of contaminated facilities formerly used in the nuclear weapons program, oversees the safe management of large quantities of radioactive waste and nuclear materials, and is responsible for the cleanup of large volumes of contaminated soil and water. This component of the environmental liability encompasses the EM life-cycle cost estimate strategic vision to complete this cleanup mission. The strategy provides for a site-by-site projection of the work required to complete all EM projects, while complying with regulatory agreements, statutes, and regulations. These projections have been documented in detailed plans. Each project estimate includes detailed projections of the technical scope, schedule, and estimable costs at each site for the cleanup of contaminated soil, groundwater, and facilities; treating, storing, and disposing of wastes; and managing nuclear materials. The estimates also include costs for related support activities, such as landlord responsibilities, program management, grants and cooperative agreements for participation and oversight by Native American tribes, regulatory agencies, and other stakeholders.

Environmental liabilities not under the EM program include the remediation of facilities, structures, and land, as well as various radioactive or hazardous materials managed and/or in use by the Department's other programs. These liabilities also include the estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities. The Office of Legacy Management (LM) is responsible for the legacy activities at closed sites to include former uranium mills and certain sites remediated by the U.S. Army Corps of Engineers. The costs for these post-closure activities are estimated for a period of 75 years after the balance sheet date, i.e., through 2087 in fiscal year 2012. While there are some specific activities beyond the 75 year period that are reasonably estimable and are included in the liability, most activities that the Department expects to continue beyond 75 years cannot reasonably be estimated. Also included in these liabilities are estimates for the disposition of various materials. The most significant of these materials is surplus plutonium.

b. **Environment, Safety and Health (ES&H)**. The Department's environment, safety, and health (ES&H) liability represents those activities necessary to bring facilities and operations into compliance with existing ES&H laws and regulations (e.g., Occupational Safety and Health Act; Clean Air Act; Safe Drinking Water Act). Types of activities included in the estimate relate to the following: upgrading site-wide fire and radiological programs; nuclear safety upgrades; industrial hygiene and industrial safety; safety related maintenance; emergency preparedness programs; life safety code improvements; and transportation of radioactive and hazardous materials. The estimate covers corrective actions expected to be performed in future years for programs outside the purview of the Department's EM Program. ES&H activities within the purview of the EM program are included in the EM environmental liability estimate.

   Processes for reporting environmental, ES&H and others that are required for Federal financial reporting are provided on the Department's Office of Financial Control and Reporting web-site @ http://www.cfo.doe.gov/crOrg/cf12.htm.

c. **Pension and Other Post Retirement Benefits**. The Department does not report Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) assets, accumulated plan benefits, or liabilities applicable to its federal employees. The Office of Personnel Management (OPM), which administers the plans, is responsible for and reports these liabilities.

   However, this differs with DOE contractors. The Department is contractually responsible for reimbursing its major contractors who sponsor employee defined benefit pension plans for the costs of contractor employee retiree benefits as these are allowable costs under their contracts. The Department's site contractors sponsor defined benefit pension plans that promise to pay specified benefits to their employees, such as a percentage of the final average pay for each year of service. The Department's allowable costs under these contracts include reimbursement of annual contractor contributions to these pension plans and the costs associated with managing the plans and their assets.

   Most of the contractors also sponsor postretirement benefits other than pensions (PRB) consisting of predominantly postretirement health care benefits. The Department approves, for cost reimbursement purposes, these contractors' pension and postretirement benefit plans and is responsible for the allowable costs of funding the plans. The Department also reimburses these contractors for employee disability insurance plans; estimates should be recorded as unfunded liabilities for these plans.

   Contractor Pension Plans

   The Department follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715, *Compensation – Retirement Benefits*,

for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. The Department has a continuing obligation to reimburse allowable costs for a variety of contractor-sponsored pension plans, both qualified and nonqualified. In this regard, benefit formulas consist of final average pay, career average pay, and dollar per month of service. For qualified defined benefit pension plans, the Department's current funding policy is to reimburse contractors for contributions made by the contractors to defined benefit pension plans sponsored by the contractors. Contractors are required to make contributions to their plans as required by the Internal Revenue Code, the Employee Retirement Income Security Act (ERISA), as amended and Departmental direction. For nonqualified plans, the funding policy is pay-as-you-go. Plan assets generally include cash and equivalents, stocks, corporate bonds, government bonds, real estate, venture capital, international investments, and insurance contracts.

Contractor Postretirement Benefits Other than Pensions

The Department follows FASB ASC 715, Compensation – Retirement Benefits, for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. The Department accrues the cost of PRB during the years that the employees render service. Generally, the PRB plans are unfunded, and the Department's funding policy is to fund on a pay-as-you-go basis. There are contractors, however, that are prefunding benefits in part as permitted by law. The Department's contractors sponsor a variety of postretirement benefits other than pensions. Benefits consist of medical, dental, life insurance, and Medicare Part B premium reimbursement.

d. **Accounts Payable**. Amounts owed to others for goods and services received and assets acquired, for which a bill has been received or approved. Any percentage of amounts due to contractors that DOE retains as a guarantee of performance may remain in a special account established for retention. Document the accounts payable control account(s) with unpaid invoice files, subsidiary ledgers, or other forms of subsidiary records. The accounting records must distinguish between accounts payable to non-Federal entities and accounts payable to other Federal agencies.

e. **Accruals**. Amounts owed by the Department for items or services received, expenses incurred, assets acquired, or construction performed, for which a bill (e.g., progress billings, grant reimbursement requests, and other billings) has not been received or approved. Processes for performing cost accruals for DOE can be found at the Department's Financial Statements iPortal Workspace.

(1) Interest Payable. Interest payable represents liabilities for interest expense incurred but not yet paid. These expenses typically arise from interest due on long-term debts, capital lease obligations, and late payment of invoices. The accounting records must distinguish between interest payable to non-Federal

entities and interest payable to other Federal agencies.

(2) Accrued Payroll and Benefits. Accrue the unpaid wages and benefits that employees have earned at the close of each accounting period. Generally, federal performance awards are excluded.

(3) Accrued Leave.

(a) Annual Leave. Record the liability for annual leave at the wage at which the leave is earned and adjust each year to reflect pay increases, unused leave balances, statutory limitations to leave amounts, and to reflect employees transferred in or out during the year. Accrued leave for DOE employees will be recorded as a liability.

(b) Compensatory Leave. Record compensatory leave the same as annual leave for accrual purposes.

(c) Sick Leave. Accrue sick leave for contractor employees if a contractual requirement exists for employees to be paid for unused sick leave. A liability for DOE employees will not be accrued since payment is not made for unused sick leave.

(4) Exceptions. The following are minimum requirements for accruing costs related to the indicated procurement instruments. While the minimum requirements are intended to provide a proper balance between materiality and the high volume of cost accrual transactions, accruals should ensure that the yearend financial statements present fairly the aggregate cost accruals for the Department. Accrual procedures must meet or exceed the following requirements:

(a) Non-Integrated Contracts and Purchase Orders. Accrue non-invoiced costs monthly if the uncosted balance is greater than $1 million; and

(b) Financial Assistance Instruments (Grants, Cooperative Agreements and Technology Investment Agreements). All financial assistance instruments issued are subject to the same accrual procedures as other procurement awards. As with all other accruals, controls must be maintained to ensure monthly accrual estimates for financial assistance awards are reasonably accurate and supportable.

f. **Deferred Revenues.** Deferred revenues represent advance payments from others to cover the cost of services, materials, or other assets that DOE will furnish in the future. The accounting records must distinguish between advances received from other Federal agencies and advances received from non-Federal entities. For

additional guidance regarding advances for reimbursable work and co-sponsored projects, see Chapter 13, "Reimbursable Work, Revenues and Other Collections." Costs incurred in the performance of work for Federal and non-Federal entities shall be accumulated and charged against the advances.

g. **Funds Held for Others.** A liability shall be established whenever DOE has physical possession or responsibility for non-Government personal property or cash. This includes certain funds that belong to others, such as payroll deductions and deposit funds. Funds held for others also include amounts held in suspense accounts awaiting disposition or reclassification. The individual details for each of these accounts reside in the asset accounts. The balances in these accounts must be supported by schedules of voucher deductions, collections, and transfers between accounts.

h. **Suspense Accounts**. Suspense accounts include amounts arising in the course of operations that cannot be analyzed readily and recorded to the proper account because of inadequate information, uniqueness of the transaction, or similar complications. Temporarily record such items to the suspense account to avoid undue delays to monthly closing. Determine the proper account for all suspense items and record them accordingly as soon as possible to ensure accurate financial reporting. In accordance with the Department of Treasury Announcement No. A-2008-02, suspense accounts 89F3885 and 89F3875 are required to have balances no more than sixty days old. The Department is required to certify annually the balances in these accounts and provide explanations for any amounts exceeding sixty days old. Accordingly, offices need to limit their use of suspense accounts and clear this activity on a continuous basis. Failure to meet the sixty day requirement may result in the Department of Treasury prohibiting the use of such accounts.

i. Debt.

(1) Certain DOE offices have been granted authority by law to borrow funds from Treasury. The statute granting the borrowing authority may contain limitations on the authority that an agency is granted such as a limit on the amount that can be outstanding at any one time. Offices are responsible for managing borrowing limitations set forth in the statute and for working with Treasury to develop a Memorandum of Understanding (MOU) that communicates the specific policies and procedures of Treasury and describes the respective responsibilities of Treasury and the office. Principal and interest payments on funds borrowed shall be made when and as due to the General Fund using the prescribed method of transfer.

(2) Power marketing administration legislation requires recoupment of appropriate funds over a specified time period and rate of interest. Power marketing administrations shall record the investment of the U.S. Government in power facilities as Proprietary Capital, Federal Investment, or Federal Appropriations.

Interest expense or interest charged to construction shall be computed and repaid to the Treasury or the Reclamation Fund depending on the source of the appropriation. Furthermore, appropriations received from the Reclamation Fund shall be repaid to the Department of the Interior.

(3) To finance its Title 17 Innovative Technology 100% loan guarantee program and Advance Technology Vehicle Manufacturing loan program, the Department acquires funding from Treasury's Federal Financing Bank (FFB). Borrowing from FFB, including amounts treated as financing account lending by the FFB, but excluding amounts borrowed for financing account interest (these amounts are borrowed from Bureau of Public Debt BPD), is dated October 1 regardless of whether it is the original amount borrowed at the beginning of the year or a supplementary amount borrowed later in the year. As a result of treating the entire amount as a single borrowing, net interest expense is not affected by whether all borrowed funds were disbursed or whether the original borrowing had to be supplemented later in the year. Interest expense on FFB and BPD Debt is calculated in accordance with the Office of Management and Budget (OMB) Circular A-11, Sections 185.32 and 185.34 using the Credit Subsidy Calculator 2.

j. **Contingent Liabilities**.

(1) General. Contingent liabilities are potential liabilities that might become actual if certain future events, beyond the Government's control, result in losses or impairments of assets or incurrence of liabilities. Some examples of contingent liabilities involve: (1) pending or threatened litigation; and (2) possible claims and assessments.

(a) When a loss contingency exists, the likelihood that a future event or events will confirm the loss or impairment of an asset or the incurrence of a liability can range from probable to remote.

1 *Probable:* The future event or events are likely to occur.

2 *Reasonably Possible:* The chances of the future event or events occurring are more than remote but less than likely.

3 *Remote:* The chances of the future event or events occurring are slight.

(b) Accrual and disclosure of contingencies, including programmatic impacts, vary depending on probability of occurrence.

1 *Probable and Estimable:* Losses that are deemed probable and can be reasonably estimated will be accrued as a liability.

Estimated losses could be within a range or a specific amount. If some amount within a range is a better estimate than any other amount within the range, that amount should be accrued. If no amount within a range is a better estimate than any other amount, the minimum amount in the range is accrued and the range and description of the nature of the contingency should be disclosed. Additionally, disclosure of the nature of the accrual is necessary if the financial statements would be misleading without such disclosure. [1]

2 *Probable but Inestimable:* If the contingency is deemed probable but cannot be estimated, a footnote disclosure should be made on the financial statements.

3 *Reasonably Possible:* May require disclosure depending upon significance and materiality.

4 *Remote:* No accrual or disclosure required.

(2) Loan Guarantees and Commitments. Please see Accounting Handbook Chapter 22, "Direct Loans and Loan Guarantees."

(3) Tort Claims. Tort claims are contingent liabilities and are disclosed in the financial statements, as discussed in paragraph 2.j(1). Tort claims are claims against the United States for injury to or loss of property or personal injury or death caused by the negligent or wrongful act or omission of any employee of DOE while acting within the scope of office or employment. Refer to paragraph 2j(1)(b) for recognition of claim contingencies.

k. Leases.

(1) A capital lease shall be treated as the acquisition of an asset and the incurrence of a liability. All lease-purchases or capital leases are required to have up-front budget authority for the full liability of the lease. Further information on recording capital leases can be found under Accounting Handbook Chapter 10, "Property, Plant and Equipment."

(2) The maximum amount of the Government's liability for an operating lease is the full amount of the operating lease unless the lease includes a cancellation clause.

[1] Those cases with a "probable" likelihood of an unfavorable outcome status, regardless of amount sought for the claim, must be recorded in the accounting system if the loss amount can be reasonably estimated. Instructions for recording contingent liability/accrual accounting entries can be found in the unfunded liability guide found in the Department's Financial Statement iPortal Workspace

In this case, the maximum liability is the amount of the lease payments over the minimum lease period plus any required cancellation payment. With operating leases, up-front budget authority must be available to cover the maximum amount of the Government's liability. For additional information on leases refer to Chapter 5, "Accounting for Obligations and Chapter 10, "Property, Plant and Equipment.

l. **Federal Employees' Compensation Act (FECA) Liability** (Recorded at Headquarters). FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Department of Energy employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by DOE

DOE records two liabilities for FECA. One is an accrued liability, which represents money owed for claims paid by the DOL. The other is an actuarial liability representing the expected future liability for approved compensation claim cases.

For the accrued FECA liability, DOL provides the Department a yearly billing report which provides actual amounts paid on behalf of DOE. DOE records a liability for the amounts paid, considering DOL normally requires payment (via IPAC) 15 months after the receipt of this billing report.

For the actuarial liability, on or about October 1, the DOL provides DOE with data regarding its share of the Federal government's estimated actuarial liability for future workers' compensation benefits. This includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined utilizing historical benefit payment patterns related to a specific period to estimate the ultimate payments related to that period. DOE records the change in its actuarial liability from the previous fiscal year.

m. **Other Liabilities**. Any other liabilities that have not been defined elsewhere should be disclosed in the financial statements. The principle of materiality and full disclosure should govern the inclusion of such liabilities. The nature of each liability should be identified and reported, either by a footnote to the financial statements or by actual inclusion of an amount in a liability account, if the potential amount due or a loss can be estimated

3. ADDITIONAL LIABILITY REPORTING REQUIREMENTS

a. **Introduction.** In addition to recognizing different types of liabilities as described above, offices are required to disclose in their notes to the financial statements liabilities covered by budgetary resources and those that are not. Below are

explanations of these terms.

b. **Liabilities Not Covered by Budgetary Resources**. These result from the receipt of goods or services or occurrences of eligible events in the current or prior periods for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the Department. The Department has established specific liability accounts to record unfunded liabilities. The use of these accounts is restricted to those liabilities specifically identified in the SGL. If you have contingent liabilities and accruals that are not covered by budgetary resources to record in the accounting system, please complete the approval form (See Attachment 11-1) first and send it, along with any pertinent supporting documentation, to the Director, Office of Financial Risk, Policy, and Controls (who will then send it to the Director, Office of Financial Control and Reporting for approval. Further guidance on liabilities not covered by budgetary resources can be found on the Department's Financial Statements iPortal Workspace

c. **Liabilities Covered by Budgetary Resources** are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account), and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

ATTACHMENT 11-1

REQUEST FOR USE OF LIABILITIES NOT COVERED BY BUDGETARY RESOURCES –OTHER LIABILITIES REQUIRING FUTURE FUNDING						
Requesting Office:						
Contact/Phone #:						
Date of Request:						
Field Office Chief Financial Officer:				_____ Signature & Date		
Cognizant Program Officer:				_____ Signature & Date		
Description of Liability:						
Amount to be Recorded:		_____ $		Program Value:		_____ $
Check One:	New Request	_____	Increase	_____	Decrease	_____
Fiscal Year payment is expected to be made:						
Approvals/ Disapproval	_____ Director, Office of Financial Risk, Policy, and Controls					
Approve/Date:		Yes_____		No_____		
Approval/ Disapproval	_____ Director, Office of Financial Control and Reporting					
cc: Office of Budget						

CHAPTER 12

INTER-ENTITY TRANSACTIONS

1. INTRODUCTION.

a. Purpose. The chapter establishes the principles and procedures of financing and accounting for costs of work performed by one DOE office or site/facility management contractor for another, and sets forth the policy governing property transfers to and from Federal agencies. Specific accounts to be used for transfers are further identified in the Standard General Ledger Chart of Accounts and Related Codes.

b. Applicability. The provisions of this chapter apply to all Departmental elements except the Federal Energy Regulatory Commission and the Power Marketing Administrations (referred to hereafter as "offices") and to all DOE site/facility management contractors (referred to hereafter as "contractors").

c. General. All inter-entity activity shall be authorized in advance by the respective organizations concerned with the transactions to enable management to plan effectively and administer programs within available funds and under established cost ceilings. Authorizations are made specifically to cover the scope of the work, cost limitations, budget and reporting classification chargeable, and the method of financing. It is the responsibility of the organization (office or contractor) performing the work not to exceed the amount provided in the authorization. If a contractor is performing the work and an overrun appears likely, it is the contractor's responsibility to ensure the authorization is modified accordingly to prevent any overrun from occurring.

d. Policy.

(1) The DOE offices and the contractors processing the inter-entity activity shall account for the activity in accordance with criteria contained in this chapter.

(2) Performance of work involving inter-entity activity must be based on proper authority prior to the initiation work.

(3) The respective offices issuing and receiving the inter-entity activity documents shall be responsible for researching and correcting any monthly differences caused by the inter-entity activity.

2. INTER-ENTITY WORK. Sites shall use the following methods for initiating inter-entity work.

a. Approved Funding Program (AFP) Method. The preferred method for initiating inter-entity work is through a change in the AFP. This method provides the highest visibility and control over funds. When the Departmental element with programmatic responsibility determines that work and funding are to be transferred from one office to another, the Departmental element shall submit the proposed AFP change to the Office of Budget. Once the Office of Budget approves the AFP change and issues the related HQ F 2260.2, "Advice of Allotment," the performing office has the programmatic and obligational authority to incur costs and pay bills. Detailed AFP procedures are described in DOE M 135.1-1A, Department of Energy Budget Execution Fund Distribution and Control Manual.

b. Inter-Entity Work Order (IWO) Method. In circumstances where emerging issues require flexibility to address funding requirements or visibility and controls over programmatic funds are equal to or greater than the AFP method, offices and contractors may use the IWO method described below:

(1) Subcontract work shall require execution of an IWO with approval from the cognizant contracting officer for the authorizing and the performing organizations when the estimated cost of work exceeds $1 million. The contracting officer for the performing organization shall forward a copy of all approved IWOs (see Attachment 12-1) to the cognizant field Chief Financial Officer or equivalent. When the work order is $1 million or less, approval by the contracting officer is not required.

(2) An integrated contractor performing work shall accumulate costs throughout the month and reclassify such costs, at month end, as an accounts receivable using the authorizing entity's OPI code. As the receivable is collected, the performer will reduce the accounts receivable. SGL account 1310D5 should be used for reporting under STARS.

(3) Costs and revenue for all work performed for other DOE locations should be reported monthly by integrated contractors in their predominant fund type in memoranda accounts as follows:

Dr SGL 801001 Cost of Work Performed Between DOE Entities
Cr SGL 801002 Earned Revenue or Collections, Interoffice

(4) When work is performed by a DOE office (or a DOE non-integrated contractor), the performing DOE office must record a credit obligation using SGL 1721311, Earned Revenue or Collection. Obligations, costs, payments, and revenues should be recorded in SGL 1721311, using 0911 fund type. Costs are billed and collected on a cash basis. Additionally, obligations and uncollected receivables will need to be adjusted at the end of each quarter to net the fund type to zero. Both the requesting and performing offices should work together to ensure that inter-entity receivables and payables reconcile.

(5) Any modifications made to existing IWOs must be documented and recorded through an amendment to the IWO by the performing organization. If the amendment reduces the total of the work order to $1,000,000 or less, the effort should continue to be handled using the same method.

3. **PROPERTY TRANSFERS** are transfers of plant and equipment, accumulated depreciation, and construction work in progress. Property transfer procedures are established to account for and control assets purchased through expenditure of appreciated funds and transferred between DOE offices and contractors as well as between DOE and other Federal agencies.

a. **Transfers between DOE Offices and Contractors** are made as a result of changes in responsibility for administering items of property, such as the plant and equipment included in contract transfers. Usually, an administrative transfer is made without physical relocation of the property. The acquisition cost, accumulated depreciation, date of original purchase, and any other pertinent data shall be reported on DOE F 2240.7, "Transfer Voucher."

(1) **Completed Plant and Capital Equipment.** Completed Plant and Capital Equipment shall be transferred based on the acquisition cost less the accumulated depreciation.

(a) Completed Plant and Capital Equipment shall be credited for the acquisition cost, Accumulated Depreciated debited for the amount of depreciation accumulated, and Financing Sources Transferred Out debited for the net book value.

(b) The receiving finance office shall debit Completed Plant and Capital Equipment and credit Accumulate Depreciation and Financing Sources Transferred In based on the transfer voucher.

(2) **Construction Work in Progress.** Construction Work-in-Progress is transferred based on costs accumulated for a particular construction project.

(a) The transferring entity's Construction Work-in-Progress account shall be credited, and Financing Sources Transferred Out debited for the costs to be transferred.

(b) The receiving entity's Construction Work in Progress shall be debited, with Financing Sources Transferred in credited based on the transfer voucher.

b. **Transfers To and From Other Federal Agencies** occur when an agency assumes responsibility for an item of completed plant or capital equipment under terms mutually agreed upon by the agencies involved. No transfer voucher shall be issued for these transfers.

(1) **Transfers of Completed Plant and Capital Equipment to Other Federal Agencies (OFAs).** The finance office shall record transfers of Completed Plant and Capital Equipment of OFAs by crediting Completed Plant and Capital Equipment for the acquisition cost and debiting Accumulated Depreciation for the amount accumulated and Financing Sources Transferred Out for the net book cost.

(2) **Transfers of Completed Plant and Capital Equipment from OFAs** shall be recorded by debiting Completed Plant and Capital Equipment for the acquisition cost, crediting Accumulated Depreciation for the amount (estimated if unknown) accumulated, and Financing Sources Transferred In for the net book cost, based on the transfer documents.

4. DOCUMENTATION AND CONTROL OF COST TRANSFERS.

a. **General.** DOE F 2240.7, "Transfer Voucher," shall be used for transfers of property within DOE and for transfers of product costs and funded inventories. Additional types of transfers that use the transfer voucher are cited in paragraph 4b below. The transfer voucher is not used for cash transactions. Transfer vouchers reflect activity between DOE offices shall be forwarded by cognizant field offices to the Energy Finance and Accounting Service Center (EFASC) for processing.

b. **Preparation of the Transfer Voucher.** The transferring organization shall prepare and issue transfer vouchers for the movement of material and property. When fabrication work is performed, the costs shall not be transferred until the fabricated product is shipped to the receiving

organization, unless special arrangements are made between the two organizations. In preparing the transfer voucher, the transferring organization shall complete all applicable sections. The transfer voucher or an attached supplement shall show complete information concerning the items being transferred and shall include a reference to the transfer authorization to enable either the receiving organization or EFASC to process the transfer and identify and distribute the costs. The performing organization shall furnish copies of source documents, when available, along with the transfer voucher. To ensure mutual understanding, each transfer voucher shall show the appropriate type of transfer in a conspicuous manner as part of the description, as follows:

(a) Administrative transfers;
(b) Excess equipment for disposal;
(c) Other excess plant and capital equipment transfers;
(d) Funded inventories transfers.

c. **Cutoff Dates.** The transferring organization shall not issue transfer vouchers for a given month on an inter-organizational basis after the 15th calendar day of the month. The cutoff date for the ending month of the fiscal year is prescribed in the fiscal year-end closing instructions issued by the EFASC. If there are significant amounts that cannot be transferred formally by the prescribed date, the organization furnishing the services or materials shall advise the receiving organization or EFASC by telephone, facsimile, e-mail, or other means soon enough for such amounts to be accrued.

d. **Numbering of Transfer Vouchers.** The transferring organization shall assign each transfer voucher a number identifying it with the organization performing the work or service and the organization receiving the work or service. Under this system of assigning transfer voucher numbers, each shall contain 12 letters and numbers, for example, transfer voucher 801-ID9-OR9-O32.

(1) The first set of three characters shall indicate the fiscal year (for example, 8 for fiscal year 1998) and the calendar month (for example, 01 for January, 07 for July) in which the performing organization (ID9) recorded the transfer in the accounting records.

(2) The second set of three characters shall be the organization code as defined in the Standard General Ledger Chart of Accounts and Related Codes and reporting unit of the performing organization.

(3) The next three characters shall be the organization code as defined in the Standard General Ledger Chart of Accounts and Related

Codes and reporting unit of the organization receiving the transfer voucher.

(4) The last set of three characters shall indicate the serial number of the voucher issued by the transferring organization to that particular receiving organization. (In the example above, it is the 32nd voucher issued by the Idaho transferring organization to the Oak Ridge receiving organization in fiscal year 1998.)

e. **Reconciliation of DOE Transfer Accounts.** Each organization shall adhere to the following rules, as well as to the procedures prescribed in paragraph 4b, for preparing and forwarding transfer vouchers to facilitate keeping the DOE transfer accounts in agreement:

(1) The transferring organization shall review its transfer activity to ensure that all charges or credits to Transfers Issued have been covered by transfer vouchers and that all vouchers issued represent items entered in Transfers Issued.

(2) The offices shall resolve and correct differences in the same monthly edit. Each office shall review the monthly reconciliation of transfers provided by EFASC on a cumulative transaction basis in summary form, and initiate any necessary corrective action. EFASC shall record any corrections, including out-of-balance problems, during the following month except at the end of the fiscal year, when they shall be issued on a timely basis and received by the office authorizing the work or service for recording as business of that month. Telephone, facsimile, or e-mail confirmations should be used.

(3) If any transferred items are inadequately supported by documentation or are improper, the organization receiving the transfer voucher shall record the transfer voucher in Transfers Received, but the offsetting entry shall be to a suspense account, except at the end of the fiscal year. The organization receiving the transfer voucher then shall ask the office that prepared the transfer voucher to furnish additional information or a correcting transfer voucher, as the situation may require.

f. **Confirmation of Transfers.** Each organization preparing transfer vouchers shall confirm all transfers made during the final month of the fiscal year with the organization receiving the transfer voucher by telephone as soon as possible consistent with year-end closing instructions. Additional confirmation requirements, such as a transfer confirmation document, may be set forth in the annual year-end requirements memorandum.

5. TRANSFER OF CONTRACTUAL DOCUMENTS BETWEEN OFFICES. Organizational or mission responsibility changes may require the transfer of contractual documents between offices. The transferring accounting office shall transfer contracts only after changes to the AFP and transfer of accounting records have been completed. The program office shall not initiate transfer of contracts to become effective 45 days or less before the end of the fiscal year or 45 days or less after the end of the fiscal year, unless all activities involved concur in the transfer. No contracts shall be transferred that are within 90 days of being closed out.

a. Headquarters Program Offices or Field Program Offices initiating a transfer of contract shall perform the following functions:

(1) Receive written concurrence from the receiving program office; submit a request for the contract transfer, in the form of DOE F 4200.33, "Procurement Request-Authorization," to the appropriate procurement office; and prepare the necessary AFP change. The procurement request-authorization shall be the official document from the program office authorizing the transferring procurement office to effect the transfer. The program office shall prepare a request for a contract transfer in advance to ensure that actions are completed prior to the effective date of the contract transfer. Field organization program offices shall forward the AFP request to the appropriate Headquarters program offices for approval. Upon approval, the Headquarters program office shall submit the AFP change with its regular AFP input to the Office of Budget. DOE M 135.1-1A, Department of Energy Budget Execution Fund Distribution and Control Manual, contains the procedures and format to use when effecting a change to the AFPs.

(2) Provide written notification of the impending transfer to the receiving program office. Provide copies to the transferring and receiving accounting offices and to the transferring and receiving contracting activities at the time the request for contract transfer is prepared.

(3) Coordinate the cutoff date with the transferring accounting office and the receiving procurement office to allow sufficient time for the effective date. Establish the effective date as the first day of a month to facilitate the transfer and reconciliation of financial database records as of the end of the previous month.

(4) Ensure that the program office initiates no transfers to be effective 45 days or less before the end of the fiscal year or 45 days or less

after the end of the fiscal year, unless concurrence has been received from all affected elements.

b. **Transferring Procurement Office** shall perform the following functions:

(1) Coordinate and formally advise the transferring and receiving program, budget, and accounting offices of the contract transfer.

(2) Establish an effective date for the transfer, in coordination with the transferring and receiving program, budget, and accounting offices.

(3) Establish a cutoff date for processing invoices, in coordination with the transferring accounting office.

(4) Ensure that the contractor is aware of the impending transfer and is notified of the date on which it is to begin submitting invoices to the receiving procurement office.

(5) Ensure that no contracts are transferred that are within 90 days of being closed out.

(6) Ensure that the contract numbers are not changed.

(7) Complete and enter into Procurement Assistance Data System database appropriate documentation to indicate the transfer and specify the receiving procurement office to effect the transfer.

(8) Transfer contract files on Standard Form 30, “Amendment of Solicitation/Modification of Contract,” to the receiving procurement office after ensuring that all pertinent materials (such as contractual documents, technical reports, and correspondence) have been included in the files.

c. **The Office of Budget** shall upon receipt of the request for an AFP change during the regular monthly AFP cycle, input the required adjustment to coincide with the effective date of the transfer and issue revised AFPs and allotments.

d. **Transferring Accounting Office** shall perform the following functions:

(1) Arrange with the receiving accounting office for the transfer of the accounting records.

(2) Ensure that all prior obligations, unliquidated obligations, and disbursement adjustments coincide with the AFP change and the effective date of the transfer.

(3) Initiate action to ensure that the transfer of accounting records is accomplished within the same month as the effective date of the contract transfer.

(4) Reconcile all support documents with the balances shown on the financial reports prior to the transfer, and prepare Form CR F 2260.1, "Transfer of Unpaid Obligations," on the unpaid prior-year balances to be included with the accounting records.

(5) Coordinate the transfer of the accounting records with the receiving accounting office and ensure that both offices process the adjusting entries in the same accounting month.

(6) Transfer all unpaid obligations, advances, receivables, and payables to the receiving accounting office; ensure that the transfer coincides with the effective date of the AFP change; and reflect these transfers on all accounting reports.

e. **Receiving Program, Budget, Procurement, and Accounting Offices** shall perform the following functions:

(1) Concur in the proposed transfer.

(2) Coordinate with the transferring offices on the transfer of the AFP, the accounting records, and the procurement files and ensure that the applicable office has received the documents described in paragraph 5d above before the effective date of transfer.

(3) Assume responsibility for management of, financing of, and accounting for the contract transferred on the effective date.

(4) Recognize that the receiving accounting office will be responsible for accounting for the contract retroactive to the beginning of the fiscal year.

f. **Receiving Procurement Office** shall complete and enter into the Procurement Assistance Data System database appropriate documentation to indicate acceptance of the transferred contract.

EXAMPLE OF HQ F 2260.2
"ADVICE OF ALLOTMENT"

HQ F 2260.2

R-FDS1121-001

U.S. DEPARTMENT OF ENERGY
ADVICE OF ALLOTMENT

ALLOTMENT SYMBOL : AL-22-91 DATE : 03/09/92
FISCAL YEAR : 1992 CHANGE NUMBER : 5

ISSUED TO : MANAGER, DOE ALBUQUERQUE FIELD OFFICE

APPROPRIATION : 89X0222
GENERAL SCIENCE AND RESEARCH ACTIVITIES

AUTHORIZED BY : LYNWOOD H. HENDERSON DIRECTOR, OFFICE OF BUDGET

DESCRIPTION	NET AMOUNT PREVIOUSLY AVAILABLE UNDER ABOVE ALLOTMENT SYMBOL	ALLOTMENT CHANGES ORIGINAL ISSUE OR INCREASE	WITHDRAWAL OR DECREASE	REVISED AMOUNT AVAILABLE UNDER ABOVE ALLOTMENT SYMBOL
TOTAL AVAILABLE FOR OBLIGATION	57,684,320	5 .000		57,734,320

REMARKS OR INSTRUCTIONS

To issuue allotment in accordance with approved funding program # 7.

Budgetary resources provided by this allotment are to be executed in accordance with the terms and provisions of P. L. 102-104, the Energy and Water Development Appropriations Act.

THIS ADVICE OF ALLOTMENT AUTHORIZES THE ALLOTTEE TO INCUR OBLIGATIONS AND TO MAKE EXPENDITURES UNDER THE APPROPRIATION CITED. OBLIGATIONS INCURRED AND EXPENDITURES MADE UNDER THIS ALLOTMENT WILL BE SUBJECT TO THE AMOUNTS, SPECIFIC LIMITATIONS, AND INSTRUCTIONS AS INDICATED. THEY ALSO WILL BE SUBJECT TO PROVISIONS OF APPLICABLE STATUTES, AND OTHER PUBLISHED INSTRUCTIONS PERTAINING TO THE AVAILABILITY OF APPROPRIATIONS. OBLIGATIONS MAY NOT BE INCURRED IN EXCEES OF ANY OF THE AMOUNTS ALLOTTED AS SHOWN ABOVE. (SEE TITLE 31 OF THE UNITED STATES CODE, SECTION 1514.)

CHAPTER 13

REIMBURSABLE WORK, REVENUES, AND OTHER COLLECTIONS

1. INTRODUCTION.

a. Background.

(1) Unless otherwise specifically authorized by statute, DOE must deposit all collections as miscellaneous receipts into the General Fund of the Department of the Treasury (Treasury). This chapter establishes the policy for activities that result in DOE collections. Collections fall within one of the following categories:

(a) Reimbursable work (see paragraph 2);

(b) Agreements for Commercializing Technology (see paragraph 3);

(c) Revenue programs (see paragraph 4);

(d) Cooperative work with other Federal and non-Federal entities (see paragraph 5);

(e) Advances for cooperative research and development agreements (CRADAs) (see paragraph 6);

(f) Appropriation refunds (see paragraph 7);

(g) Site/Facility Management Contractor collections (see paragraph 8);

(h) Donations, gifts, and bequests (reserved);

(i) Deposit funds (see paragraph 10);

(j) Miscellaneous receipts (see paragraph 11);

(k) Reimbursable personnel details (see paragraph 12);

(l) Unclaimed moneys (see paragraph 13);

(m) Repayments from projects under the Clean Coal Technology (CCT) Program and Clean Coal Power Initiative (see paragraph 14);

(n) User Facilities or Technology Deployment Centers (see paragraph 15); and

(o) Other collections (see paragraph 16).

(2) Attachments 13-1 through 13-5 list common DOE collections and the accounts to which they are deposited.

b. Applicability.

(1) This chapter applies to all Departmental/field elements and site/facility management contractors as provided by law and/or contract and as implemented by the appropriate contracting officer.

(2) Provisions of this chapter do not apply to work in which DOE is the customer or to cash transactions for services between other DOE offices and DOE site/facility management contractors (see Chapter 12, "Inter-Entity Transactions").

c. Definitions.

(1) Acceptance is the official act of signing a reimbursable agreement by a contracting officer. See DOE O 481.1C, Work for Others.

(2) Budgetary Resources include: (a) for Federal customers, the amount of reimbursable orders received and supported by valid obligations against their current appropriation account(s); and (b) for non-Federal customers, the amount of advance payment(s) received for unfilled orders.

(3) An Emergency is any situation involving the protection of life, Federal lands, buildings, or equipment; law enforcement; disaster assistance; and production and maintenance of the power distribution system. Also see DOE M 135.1-1a, Budget Execution.

(4) Miscellaneous Receipts are funds collected by DOE. Also, see paragraph 11.

(5) A Reimbursable Agreement is a written agreement to perform work or provide a service for another Federal agency or a non-Federal customer. Reimbursable work for other Federal agencies requires an interagency agreement. An interagency agreement is a written agreement entered into by DOE and another Federal agency to furnish goods or accomplish a specific task in support of the other agency's mission. The interagency agreement will provide funding, billing, and payment data in support of the reimbursable work. The format of the requesting agency is acceptable as long as it contains the appropriate elements as outlined in DOE O 481.1C, Work for Others. Agreements with non-Federal customers require bilateral sales contracts.

(6) Reimbursable Authority (also called reimbursable obligation authority) is authority to incur obligations in accomplishing reimbursable work if a budgetary

resource either a reimbursable agreement from a Federal customer or an advance from a non-Federal customer—is also available. This authority can be acquired only by obtaining an allotment through the DOE Chief Financial Officer (CFO) using an approved funding program (AFP) process.

(7) Reimbursable Work refers to work or services performed or to be performed for another Federal or non-Federal customer. DOE is compensated by a specific type of offsetting collection known as a reimbursement, which may be credited as authorized by law to the appropriation or DOE fund account. The reimbursable work or services performed by DOE are financed by the funds of the ordering Federal customer, or by advances from a non-Federal customer. The reimbursable work may be accomplished under the authority of the Economy Act of 1932, as amended (31 U.S.C. 1535); the Atomic Energy Act of 1954, as amended; or other specific statutory authority. Examples of reimbursable work interagency agreements are Military Interdepartmental Procurement Requests used by the Department of Defense, Project Authorization Funding Documents used by the Air Force Tactical Application Center, and Procurement Letters used by the United States Geological Survey.

(8) Agreements for Commercializing Technology represent work performed at a DOE lab, site, or facility for a non-federal entity on a reimbursable basis. Work performed under such agreements is a type of reimbursable work for which the sponsoring entity is the site, plant, or facility operating contractor.

d. Responsibilities.

(1) Heads of Departmental Elements shall for Headquarters elements and each field element and site/facility management contractor under their cognizance:

(a) Provide timely, appropriate notification to the Office of CFO about any sensitive reimbursable actions pursuant to DOE O 481.1C, Work for Others;

(b) Recommend changes in financial policies on reimbursable work to the CFO; and

(c) Approve exceptions to full funding with the concurrence of the CFO and the head of the affected Departmental element as provided for in paragraph 2e(1)(c).

(2) The Chief Financial Officer shall:

(a) Develop and monitor implementation of financial policies and procedures for reimbursable work;

(b) Approve financial exceptions, as specified in paragraphs 2e(1)(c) and 2e(2);

(c) Obtain reimbursable apportionments and issue reimbursable allotment authority for reimbursable work; and

(d) Coordinate with the cognizant secretarial officers on reimbursable agreements accepted at Headquarters.

(3) The Office of the Chief Human Capital Officer shall provide copies of reimbursable agreements in Headquarters and Intergovernmental Personnel Act (IPA) agreements to the Program Office for further processing with their respective Budget Officials and the Office of the Chief Financial Officers (Field CFOs as needed) impacted by such agreements as well as

(a) Obtain necessary concurrences and approval on all reimbursable detail and IPA requests from the Office of the Chief Financial Officer (OCFO, Office of Financial Policy) and the Office of the General Counsel (OGC, Office of General Law) and the Senior Management Review Board. Approvals of reimbursable agreements for reimbursable details of personnel shall be in accordance with DOE O 320.1, Acquiring and Positioning Human Resources; and IPA assignments in accordance with DOE M 321.1, IPA assignments and all supplemental guidance issued by the Office of the Chief Human Capital Officer;

(b) Ensure that necessary documentation and coordination are accomplished for all interagency personnel details and assignments; and

(c) Provide a copy of reimbursable agreements for Headquarters reimbursable details of personnel and IPA assignments to the appropriate offices.

(4) Director, Office of Procurement and Assistance Management. (For NNSA projects the Director, Office of Acquisition & Supply or authorized NNSA designee is responsible)

(a) For projects accepted or performed by Headquarters elements, ensures that the Director, Office of Headquarters Procurement Services (or an authorized designee), has reviewed and accepted non NNSA projects unless delegated consistent with DOE O 481.1C.

(b) Provide copies of reimbursable agreements negotiated in Headquarters to all Field Chief Financial Officers (Field CFOs) impacted by such agreements

(5) The General Counsel, NNSA, and Field Counsel shall provide legal counsel and advice on matters relating to reimbursable agreements as needed.

(6) Heads of Field Elements shall ensure that:

(a) The reimbursable agreement is approved and accepted in accordance with this policy and the established requirements of DOE O 481.1C unless excluded

(b) Budgetary resources and reimbursable authority are obtained before initiation of work or services.

(c) Exceptions to the requirement for full funding from Federal agencies for projects to be completed in the current fiscal year (or current fiscal year plus 90 days for projects transcending the fiscal year) are reviewed and approved by them. In no case shall an exception be granted that necessitates the use of DOE funds to finance reimbursable work performed for others.

(d) Concurrence on Head of Departmental Element officers' exceptions to full funding, as provided for in paragraph 2e(1)(c), is obtained.

(e) Requested work is priced in accordance with DOE O 522.1, "Pricing of Departmental Materials and Services."

(f) All documents authorizing performance of tasks that include reimbursable work specify that portion of the funding is reimbursable or that the total funding is reimbursable.

(g) All documents pertaining to a reimbursable agreement are identified and maintained on file.

(h) Obligations and expenditures against individual reimbursable agreements are recorded promptly and accurately and do not exceed the associated budgetary resource.

(7) The Field CFO shall

(a) Review reimbursable agreements for adequacy and accuracy of relevant accounting and funding data, potential budgetary resource problems, pricing factors, financial closeout procedures, and provision of billing information and addresses.

(b) Certify fund availability for each reimbursable agreement to ensure that obligations incurred in the performance of a reimbursable agreement do not exceed the authority provided in the AFP and allotment. If an agreement would require obligations in excess of the reimbursable authority allotted, the Field CFO shall ensure that additional authority is obtained from the CFO

before incurring the obligation.

(c) Develop and maintain accurate and timely financial information on the status of funds, obligations, and expenditures incurred for each reimbursable agreement.

(d) For reimbursable agreements received under the authority of the Economy Act, determine the amount of obligations that will not be incurred before the end of the appropriation's period of availability and provide timely notification to the ordering agency regarding the amount of funds to be deobligated.

2. REIMBURSABLE WORK.

a. Authority for Accepting and Criteria for Establishing Reimbursable Agreements. Authorities include the Atomic Energy Act of 1954; the Intergovernmental Cooperation Act of 1968; the Department of Energy Organization Act of 1977 (Public Law 95-91; 42 U.S.C. 7101 et seq.); the Intergovernmental Personnel Act of 1970 (5 U.S.C. 3371-3376); and the Economy Act of 1932, as amended (31 U.S.C. 1535). (See the Work for Others Information Guide for additional information on authorities and criteria.)

b. Exclusions. The provisions of this section do not apply to refunds; user charges (Title 31, section 9701, of the United States Code (31 U.S.C. 9701) and Office of Management and Budget Circular A-25); revolving-fund activities; receipts for cooperative work performed under cosponsored agreements; CRADA work or services within DOE; actions between DOE site/facility management contractors; activities involving services, products, or materials regularly produced for sale at schedule rates under Departmental programs (for example, routine irradiation services, isotopes, heavy water, production or transmission of electricity, uranium enrichment services); and certain activities funded under Contribution Fund Agreements (42 U.S.C. 7278).

c. Policy.

(1) It is the policy of DOE to accept non-DOE-funded work through reimbursable agreements, provided there is legal and regulatory authority to perform reimbursable work. Furthermore, work must not impede primary functions and responsibilities of the performing activity, and budgetary resources for reimbursable work must be available.

(2) The execution of acceptance of reimbursable work shall be made only after a written determination that the work is consistent with and meets established requirements set forth in DOE O 481.1C. In addition, no work shall commence and no costs shall be incurred until a written reimbursable agreement has been accepted as defined in DOE O 481.1C.

(3) Reimbursable work for non-Federal customers shall neither start nor continue without a cash advance of funds except as provided by paragraph 2e.

(4) Federal grants awarded to parent organizations of site/facility management contractors shall be approved by the Department and treated as work from another Federal agency under Program 40, Reimbursable Work for Other Federal Agencies.

(5) Heads of field elements and the CFO shall maintain an appropriate management control environment and related systems to provide sufficient advance notification of potential funding shortfalls to obtain additional funds or begin project termination.

(6) Each reimbursable agreement accepted by DOE shall be managed and accounted for in accordance with the funding limitations and other provisions of the agreement. The level of financial controls specified in the agreement establishes the administrative funds controls that must be followed. The DOE funding limitation is the cumulative total of funding for a specific project. The total estimated cost of an agreement is not a funding limitation.

(7) Funds provided under reimbursable agreements are to be used solely for the intended purposes and in accordance with the limitations on the use of funds as specified in the agreements (31 U.S.C. 1301).

(8) Reimbursable work shall not be accepted when it is evident that a requesting agency is using this as a mechanism to obligate funds solely to keep them from being reported as unobligated, or to keep them from lapsing at the end of the fiscal year.

d. Description and Nature of Reimbursable Work.

(1) In general, the reimbursable work that DOE provides for a customer is part of the customer's mission and not DOE's direct mission. The Department does not directly receive appropriated funds from Congress for such work or services; instead, they are financed by the funds of the Federal agency ordering the work in Program 40, Cost of Reimbursable and Cooperative Work with Other Federal Entities, or by cash advances from a non-Federal customer in Program 60, Cost of Reimbursable and Cooperative Work with Non-Federal Entities. Conversely, if the Department sells products or services that are funded as a direct mission of the Department, the collection shall be accounted for under a revenue program (see paragraph 4).

(2) Examples of current reimbursable work programs in DOE are included in Attachment 13-1.

e. Financing of Work. Obtain a budgetary resource from customers before performing reimbursable work. In addition, there must be sufficient reimbursable obligational authority within the respective allotment from the CFO. This requirement is necessary to preclude the use of DOE appropriated funds to finance reimbursable work and to protect

the Department from incurring uncollectible receivables.

If the contract so provides, or if the contracting officer (CO) authorizes, site/facility management contractors may continue work on a project for a limited time without an available budgetary resource from the customer to maintain project continuity if all of the following conditions are met: (1) the sponsor provides assurance of funding within a specific time; (2) the site/facility management contractor provides the funds for the work and assumes liability for any costs, including overruns, should funds not be received from the sponsor; and (3) the site/facility management contractor retroactively charges the costs of such work to the sponsor. The CO shall document the file evidencing agreement to these conditions.

(1) Financing Work for Other Federal Agencies.

(a) Generally, advance payments are not required when DOE performs work for other Federal agencies. However, advance payments may be required from agencies if the interests of DOE are best served by obtaining advances. Any requirement for advance payments from other federal agencies must be described in the reimbursable agreement.

(b) A valid reimbursable agreement shall be used as a budgetary resource when DOE performs work for other Federal agencies. The reimbursable agreement shall provide full funding if the work is to be completed in the current fiscal year. For work that begins in one fiscal year but continues into the subsequent fiscal year, full funding for the current fiscal year plus the first 3 months of the following fiscal year is required.

(c) Heads of Field Elements may grant exceptions to the funding requirements provided above for their respective organizations, and the CFO may grant exceptions, in consultation with the Head of the Departmental Element, for Headquarters elements. In no case shall an exception be granted that necessitates the use of DOE funds to finance reimbursable work performed for others. In addition, exceptions shall not be granted that would cause advanced funding to be less than amounts necessary to provide for a phase down and termination of the reimbursable agreement.

(2) Financing work for Non-Federal Customers. Full funding is required before beginning work on reimbursable agreements that have an estimated cost of $25,000 or less or that will be completed in 60 days or less. However, with Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards described under 2.e(3) of this Chapter, the maximum funding that can be collected from the sponsor may not exceed 30 days of work to be performed under the contract. Advance payment collections are to be processed in accordance with cash collection requirements as prescribed in Chapter 6 of DOE's Financial Management Handbook.

(a) For reimbursable agreements that have an estimated cost greater than $25,000 and whose period of performance exceeds 60 days:

1. DOE shall obtain, prior to performing any work, a budgetary resource sufficient to cover the anticipated work that will be performed during the first billing cycle.[1]

2. The Department shall also obtain, prior to performing any work, 60 days of additional funding to ensure that funds remain available for the project during subsequent billing cycles. To the extent allowed by the billing and collection procedures of individual DOE, site/facility management contractors, the Field CFOs should work with laboratories to approve exceptions to this requirement, with the goal of reducing the normal advance payment amount to 30 days or less.

3. Field CFOs may require additional advance payment amounts to account for estimated termination costs or other costs as appropriate for individual projects.

4. No DOE budgetary resources shall be utilized to fund work for non-Federal customers.

(b) Exceptions to the requirement for advances from non-Federal customers will be permitted only as specified below:

1. The cognizant Field CFO may approve exceptions to the normal advance funding requirement. These exceptions could include a blanket waiver for a site/facility contractor or waivers for individual projects. For all such waivers, the cognizant Field CFO must (a) certify that billing and payment procedures are adequate to allow for a shorter advance requirement without costs exceeding available budgetary resources and (b) provide the HQ CFO with a 10 business day advance notification, using the templates included as attachments 13-6 and 13-7 to this chapter. All waivers granted by cognizant Field CFOs shall be reviewed annually, and recertified as applicable. Field CFOs shall notify the HQ CFO Office of Financial Risk, Policy, and Controls of recertification decisions not later than November 1 of each new fiscal year.

2. The site/facility management contractor performing the work may provide DOE with earned award or management fees, royalties, or other corporate funds to support the advance funding requirements.

[1] Billing Cycle – period of time between billings, usually thirty days. The billing cycle is complete when the customer is billed for services rendered.

3. When deliveries are from stock-on-hand and will not require the use of current budgetary resources except to replace the stock.

4. When delivery of items or services is without an advance, if permitted by specific law. This covers reimbursable work deliveries without advance payment as directed by specific laws or executive orders. An example is the detail of employees to States and political subdivisions according to 5 U.S.C. 3373 and the detail of employees to international organizations according to 5 U.S.C. 3343.

5. Inter-Entity work performed in accordance with Chapter 12 of the Financial Management Handbook .The reimbursable agreement from the DOE-funded customer shall constitute the budgetary resource.

6. If a State or local government has a statute or another legal requirement prohibiting advancing funds for reimbursable work, the Cost of Work for Others Program under the Departmental Administration appropriation may be used.

(3) Financing Work Funded by Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards.

(a) Legal Restriction on Advance Payments for work funded by SBIR and STTR awards. Notwithstanding the other advance payment requirements specified in this chapter, the Department is prohibited from charging SBIR and STTR recipients an advance payment amount that exceeds the amount necessary to pay for 30 days of work, if the work to be performed is part of the scope of the SBIR or STTR award. (Section 9 of the Small Business Act (15 U.S.C. 638), *Advance Payment*.)

(b) Required Advanced Payment Procedures for work funded by SBIR and STTR awards. Despite the legal restriction on collecting advance payments from SBIR and STTR recipients, the general prohibition against using DOE funds to pay for work performed for third parties remains. Thus, DOE sites that accept work sponsored by SBIR and STTR recipients must have procedures in place that:

(1) Identify sponsors who are paying for work performed with SBIR or STTR awards made by any federal agency;
(2) Ensure that advance payments received from such sponsors do not exceed an amount necessary to pay for 30 days of work performed under the agreement with DOE; and
(3) Ensure that no DOE funds are used to pay for 3rd party work performed at the labs (except for the Cost of Work for Others funding as described below).

The cognizant field CFO for any site accepting work from SBIR or STTR recipients is responsible for ensuring that payment and collection procedures meet all of these requirements. The field CFO may use the template included as attachments to this chapter (appendix 13-7) to document compliance with these requirements for work funded by SBIR and STTR awards.

(c) Use of the Cost of Work for Others Funding. Available funds under the Cost of Work for Others program under the Departmental Administration appropriation (WN65 funding) may be used for work funded by SBIR and STTR grants according to the procedures described in paragraph 6.c(4) of this chapter.

f. Reimbursable Budgetary Resources and Obligational Authority.

(1) Reimbursable Budgetary Resources. A reimbursable agreement may be obligated whenever the budgetary resource criteria is satisfied and there is sufficient reimbursable authority available within the allotment to cover it. Cash advances from non-Federal customers and valid reimbursable orders from Federal agencies are required to provide the budgetary resource to obligate. The requirements for the budgetary resource and reimbursable authority are separate and distinct. Reimbursable agreements shall not be obligated by DOE unless there is sufficient reimbursable obligational authority in the respective allotment (see DOE M 135.1-1A, Budget Execution, for further details).

(2) Reimbursable Obligational Authority. An allottee can acquire reimbursable obligational authority only by obtaining an allotment through the DOE allotment and AFP process. For further discussion of the reimbursable obligational authority process, see Chapter 2, “Administrative Control of Funds”; Chapter 3, “Accounting for Appropriations and Other Funds”; and DOE M 135.1-1A, Budget Execution.

g. Accounting for Reimbursable Agreements. 31 U.S.C. 1301 expressly prohibits the expenditure of funds in an appropriation for purposes other than those that Congress intended. Before acceptance, reimbursable agreements shall be reviewed for adequacy of relevant accounting and funding data, potential budgetary resources problems, pricing factors, financial closeout procedures, and provision of billing information and addresses. Illustrative entries for recording reimbursable transactions are in the Department’s standard general ledger account codes and definitions and related financial codes maintained by the Office of Finance and Accounting.

(1) Execution and Control of Reimbursable Agreements. Use the following guidelines to ensure that reimbursable work is accomplished in accordance with established laws, regulations, and provisions of the respective reimbursable agreement(s):

(a) Site/facility management contractors shall not begin any reimbursable work

until they have obtained authorization from the responsible DOE contracting officer indicating that DOE has obtained a valid budgetary resource and that an obligation will be recorded in the contractor's next scheduled contract modification.

(b) All documents authorizing the performance of tasks that include reimbursable work shall clearly identify reimbursable funding. Furthermore, the DOE element performing the work shall identify and maintain file documents pertaining to the reimbursable agreement.

(c) No work shall continue and no costs shall be incurred beyond either the period of performance or the amount of funding provided in the reimbursable agreement and attendant modifications unless authorized by the contract or the contracting officer. The customer is responsible and accountable for any financial consequences associated with termination of work.

(d) DOE shall not finance reimbursable work from its own appropriations or another customer's funds.

(e) Obligations and expenditures for each reimbursable agreement shall not exceed the budgetary resources authorized on that reimbursable agreement.

(f) Interagency agreements are subject to the provisions of 31 U.S.C. 1501, Documentary Evidence Requirements for Government Obligations. Reimbursable agreements must provide a specific statement of work to be valid obligations.

(g) Departmental elements accepting reimbursable agreements shall establish firm cutoff dates prior to the end of the fiscal year to provide ample time to review, accept, obligate, distribute, and record reimbursable agreements.

(2) Recording

(a) Recording Unfilled Orders and Obligations. Accepted reimbursable agreements shall be controlled by the following unique equity accounts: Reimbursable Orders Accepted, Unobligated Unfilled Customers' Orders, and Obligated Unfilled Customers' Orders. The balances of these accounts represent the ceilings for costs, obligations, and uncosted obligations, respectively.

1. *Source Document for Unobligated Unfilled Customer Orders.* The source document for recording unfilled orders is the reimbursable agreement, along with evidence that the reimbursable agreement was accepted in accordance with DOE O 481.1C.

2. *Source Document for Obligated Unfilled Customer Orders.* For work performed by a DOE site/facility management contractor, the source document for recording obligations is either the executed contract or a contract modification. For work performed by DOE personnel, source documents for obligations include travel authorizations, time and attendance documents, and purchase requests.

(b) Recording Cash Advances. Cash advances received for reimbursable work shall be recorded as unearned revenue. A liability shall be established, and it shall be reduced by accrued cost.

(c) Recording Work Performed by Site/Facility Management Contractors. If reimbursable work is to be performed by a site/facility management contractor, the cognizant DOE field element may assign all collection and accounting activities for the work to the site/facility management contractor. Otherwise, the site/facility management contractor may transfer the amount to DOE accounts, in which case the DOE element shall perform the collection and accounting activities.

(d) Recording Reimbursements.

1. With the exception of the Federal administrative charge, reimbursements shall be recorded in the appropriation and fund type in which the costs were recorded. That portion of the reimbursement that represents the Federal administrative charge shall be deposited into the Departmental Administration Appropriation special receipt account. Refer to Attachment 13-2 for a description of the Departmental Administration Appropriation special receipt account.

2. Collections shall be recorded as a debit to the Appropriation Reimbursements general ledger account. The balance of that account will represent cumulative collections for reimbursable work for the fiscal period. Balance sheet codes and illustrative entries for recording collections are presented in the Department's standard general ledger account codes and definitions and related financial codes maintained by the Office of Finance and Accounting

(3) Billing and Collecting.

(a) Treasury's Intra-governmental Payment and Collection System must be used, when available, for expenditure transfers between DOE and other Federal agencies.

(b) Billings shall not exceed the total amount authorized by the agreement,

including any amendments. The agreement should include funds for any requirements resulting from the final closeout process. If an increase to the agreement is required, an amendment should be obtained from the issuing organization before incurring any additional costs.

(c) Billings based on accrued and recorded costs will be issued monthly or in accordance with reimbursable agreements and will include the date that reimbursable work was provided, in addition to the as-of billing date. Customer billings should contain appropriate cost detail at the major element level.

(d) For non-Federal customers, electronic funds transfer, or check may be accepted as long as it is consistent with prudent financial judgment.

(4) Closeout of Reimbursable Agreements. Upon completion of work, the contracting officer shall notify the customer and provide an estimate of costs incurred. When the final costs are known, the contracting officer shall promptly notify the customer with a final invoice. Upon final settlement, any unused funds shall be returned to the customer.

3. AGREEMENTS FOR COMMERCIALIZING TECHNOLOGY

a. Overview. Agreements for Commercializing Technology (ACT) differ from other types of reimbursable work as they allow DOE site/facility management contractors to execute agreements with third parties in the site/facility management contractor's private capacity for work to be performed at a DOE site or laboratory. For such agreements, the site/ facility management contractor may assume financial and performance risk in return for financial consideration from the 3rd party sponsor of the work. This financial consideration (contractor margin) is individually negotiated between the DOE contractor and the third-party sponsor.

b. Costs. Under ACT, the Department is not a party to any agreements between the site/ facility management contractor and the 3rd party sponsor of the work. Thus, from the perspective of the Department, the site/facility management contractor is the sponsor of the work and is solely responsible for payments to cover costs of the work.

Generally, ACT costs include all direct and properly allocated indirect costs incurred by the contractor in support of the ACT project, but exclude contractor margin. All ACT costs will be paid by the site/facility management contractor through normal DOE payment procedures, but must be pre-funded by the site/facility management contractor according to the procedures set out in this chapter.

(1) Unique Costs for ACT Projects. The cost of ACT projects may include direct costs unique to ACT projects that would not be incurred for non-federal work-for-others, such as taxes and insurance. DOE's Office of Procurement Policy has determined

that these costs can be paid through DOE's operating contracts for approved ACT projects.

(2) Allocation of Indirect Costs. All costs normally allocable to non-federal work-for-others (with the exception of contract award fee) are allocable to ACT projects, including all allocable indirect site expenses and Lab, Site, or Plant directed research and development (LDRD, SDRD, or PDRD). When allocating site indirect costs to ACT projects, all ACT costs, including those uniquely associated with ACT projects, must be included in the allocation base for indirect cost pools in accordance with disclosed cost accounting practices.

(3) Federal Administrative Charge. Consistent with full-cost recovery, the Federal Administrative Charge (FAC) applies to all ACT work. FAC will be applied as cost is incurred to ACT work with collections remitted to the Treasury according to normal FAC collection procedures on a monthly basis. The basis for calculating the FAC is the total ACT cost.

(4) Costs not Payable Under the DOE Contract

(a) **Contractor Margin.** Contractor margin includes any financial consideration provided to the contractor by the third-party sponsor of the ACT work that is in excess of the costs incurred under the DOE contract. The contractor margin is not considered a cost for purposes of the DOE contract and is not part of the cost base used for calculating FAC or allocating indirect costs.

(b) **The Contractor's Assumption of Financial and Performance Risk.** Any expenses incurred by the contractor as a result of the contractor's decision to assume financial and performance risk for ACT work shall be borne solely by the contractor and are not payable to the contractor under the DOE contract. Such expenses may include the contractor's cost of capital for advance funding defaults and late payments by third-party ACT sponsors, contract costs that exceed the amount of fixed-price ACT agreements (between the contractor and a 3rd party), and the cost of repair to equipment or facilities damaged during the performance of ACT work (unless pre-funded by the contractor).

c. **Accounting for ACT Obligations, Costs, and Payments.** Given the nature of ACT agreements, that is that they are agreements between a site/facility management contractor and a third party, the budgetary and accounting treatment should provide a reasonable balance of risk between the level of budgetary controls and the accounting effort needed to maintain these controls. The site/facility management contractor must ensure that all costs and payments associated with ACT projects, including all costs unique to ACT work, are segregated and allocated appropriately to obligations made for ACT work.

Obligations to support ACT work should be made in aggregate for individual site/facility management contractors in accordance with the legal obligation control point for this type

of activity. All costs and payments should be incurred against this aggregate obligation. All accounting transactions related to ACT work must be recorded using the appropriate fund code and a unique WFO code designated for each site/facility management contractor, as determined by the CFO STARS team. A unique WFO code is not required for each ACT agreement. A unique ACT fund code will be established for each Treasury Account Fund Symbol.

Although a unique WFO code is not required for each ACT agreement, should a site/facility management contractor request otherwise, including separate memorandum reporting, meeting this request is at the discretion of the relevant Field CFO.

d. Reimbursable Budgetary Resources and Obligational Authority. Funds-in ACT are subject to the same budgetary resource (advance payment) and reimbursable obligation authority requirement as other non-Federal reimbursable work, recognizing that the ACT Program is considered one reimbursable program with the site/facility management contractor as the sponsor. No DOE funds shall be used, even on a temporary basis, to record obligations or cover cost outlays (payments) for ACT projects. No ACT projects can begin without both a budgetary resource and reimbursable obligational authority.

Before ACT work can begin funds must be obligated through a contract modification against a valid budgetary resource (advance payment from contractor). A valid budgetary resource exists only when the allotee has received both an Advice of Allotment and the contractor has provided an advance payment. At no time will the cost of ACT work exceed funds obligated for that work.

The contractor must maintain an advance payment amount equal to 60 days of anticipated costs for ACT work, in accordance with normal requirements for non-federal Work for Others, unless approved for excepted advance payment procedures by the cognizant field CFO. Because the site/facility management contractor provides the advance directly there is no separate invoice cycle for ACT work. Thus, there is no requirement for an additional advance payment amount to cover costs incurred during the first invoice cycle, as exists for non-federal Work for Others.

(1) Excepted payment procedures for individual site/facility management contractors. The site/facility management contractor can propose alternative advance payment processes for approval by the cognizant field CFO. For such exceptions, the cognizant Field CFO must certify that the site/facility management contractor's payment procedures are adequate to ensure that no ACT project costs will be paid from the site/facility management contractor's payment cleared funding account (letter of credit) or any other form of appropriated funds before the site/facility management contractor provides sufficient advance funding to cover the payments. Any alternate advance payment process must be compliant with the requirements of the Anti-Deficiency Act, which prohibits DOE from spending its appropriated funds for ACT work, even on a temporary basis.

When providing authorization for excepted payment procedures, the Field CFO must provide the HQ CFO Office of Financial Risk, Policy, and Controls with a 10 business day advance notification using the templates included as attachment 13-7 to this chapter. All waivers granted by cognizant Field CFOs shall be reviewed annually, and recertified as applicable. Field CFOs shall notify the HQ CFO Office of Financial Risk, Policy, and Controls of recertification decisions no later than November 1 of each new fiscal year.

e. Reporting. Detailed semi-annual reporting requirements are included in the ACT contract provisions (ACT H clause). Contractors will provide information on ACT projects to their cognizant Field CFO as necessary to facilitate monitoring and oversight efforts.

4. REVENUE PROGRAMS.

a. General. The Department directly budgets for some revenue programs as appropriation reimbursements. The collections from these programs may be available for immediate use by the Department (for example, the Bonneville Power Administration's Revolving Fund), offset against the appropriation (for example, the Cost of Work for Others Program under the Departmental Administration Appropriation), or be used as a funding source for the appropriation (for example, the Nuclear Waste Fund). A complete listing of these revenue programs can be found in Attachment 13-2. The collections from other revenue programs, such as the sale of electrical power by a power marketing administration, are proprietary receipts and are deposited as miscellaneous receipts into the General Fund of the Treasury. These revenue programs can be found in Attachment 13-5.

b. Policy.

(1) Before accepting revenue-producing work, DOE must determine that there is specific legal or statutory authority for performing the work.

(2) No revenue-producing activities shall begin either in the absence or in excess of the authorities contained in the allotment.

(3) All revenues and related costs shall be recorded on an accrual basis.

c. Description and Nature of Revenue-Producing Work.

(1) Under DOE's revenue programs, work, products, and services are sold to both Federal and non-Federal customers pursuant to authorizing legislation. Treatment of the resultant revenues is provided for in either the specific authorizing or appropriation legislation.

(2) The work performed under the revenue programs is similar to that performed under

the reimbursable program. The distinguishing factor between the two is a determination of the mission responsibility of the work, that is, the customer's or DOE's.

(a) Under revenue programs, DOE sells work, services, or products that fall within the scope of DOE's direct mission. As indicated in paragraph 2e, reimbursable work performed by DOE for others is considered to be part of the customer's direct mission responsibility and not the Department's.

(b) Because the revenue-producing work performed under a revenue program is, by definition, mission-related work, it is financed directly through DOE mission program appropriations. This is in contrast to work performed under a reimbursable work program, which is financed through budgetary resources provided by the customer.

d. Authority to Produce and Sell Products and Services. There are at least two distinct statutory and legislative authorities that can affect both the performance of work and the disposition of the resulting revenues. Public Law 95-91, the Department of Energy Organization Act, section 301(a), transferred the functions of the Energy Research and Development Administration and the Federal Energy Administration to DOE. The Department's annual appropriation acts, Energy and Water Development and (prior to FY 2006) the Interior and Related Agencies Activities both contain language that authorizes revenue-producing activities under the various appropriation accounts and dictates the disposition of the resulting revenues. When the Department considers performing work under revenue programs, it must consult all applicable authorities to ensure overall compliance. (See Attachments 13-2 and 13-5.)

e. Order Requirements.

(1) Criteria for Development, Review, and Acceptance of Orders (Except Power Marketing Administrations). Under Departmental revenue programs, the DOE element performing the work must receive a written customer order before initiating work for services, products, or materials regularly produced for sale at scheduled rates or catalog prices. For non-routine work or services that constitute a significant financial requirement similar in nature and scope to that performed by the DOE reimbursable program, a bilateral sales contract between DOE and the customer is required in accordance with DOE O 481.1C.

(2) Power Marketing Contracts. Power marketing rates are subject to review by the Federal Energy Regulatory Commission.

(3) Pricing of Products, Services, or Work (Cost Recovery). Charges for products or services incident to the Department's revenue-producing activities shall be developed in accordance with DOE O 522.1, "Pricing of Departmental Materials and Services."

f. Basis of Budgetary Resources.

(1) General. Revenue-producing activities are considered to be mission-related activities of the Department. The budgetary resources required to finance such work come from DOE's direct appropriated funds, provided that the work is budgeted and approved in accordance with the procedures contained in paragraph 4g(2). When appropriated funds are allotted during program execution, the allotment shall serve as both the obligational authority and the budgetary resources to accomplish the work**.**

(2) Advances. Because DOE finances its revenue-producing activities each year through DOE appropriations, the Department does not require advances for such activities from either Federal or non-Federal customers. It is essential to determine that the requested work, product, or service is in fact a DOE mission activity and that the associated resources to accomplish the work were budgeted and are available for obligation within the allotment.

(3) Exceptions to Advances Policy. DOE may require advances from non-Federal customers to protect the Government's interests in the following instances:

(a) A customer may request that significant, non-routine modifications be performed on a standard DOE mission-related product to suit the customer's specific operational requirements. DOE should require a cash advance to cover incremental costs for performing that portion of the work that is not related to the DOE mission. The collections or revenues derived from the sale of the product should be administered by DOE under the revenues program, and the collections from modification work administered under the reimbursable work program. For these situations, DOE elements shall determine advance requirements on a case-by-case basis, giving consideration to the mission responsibilities, incremental costs, the nature and scope of the services provided, and other pertinent factors.

(b) DOE may also require cash advances to protect the Government's interest against both Federal and non-Federal customers when appropriate.

g. Authority Contained in Allotments.

(1) General. Allotments provide two distinct authorities for conducting revenue-producing activities: direct obligational authority and authority for retaining the revenues.

(a) Direct obligational authority, available through DOE's mission appropriations, provides the authority to engage in specific revenue-producing activities, such as the production of products or goods for sale to others.

(b) For programs that allow retention of revenues, the authority for retaining

revenues gives DOE the authority to use the revenues derived from revenue-producing activities without further action by Congress.

(c) Additional requirements associated with the administrative control of allotments are addressed in Chapter 2, "Administrative Control of Funds."

(2) Budgetary Considerations. The budget requirements for revenue programs are subject to the same budget and administrative processes as other Departmental programs.

(a) DOE elements must satisfy the following general conditions before using appropriated funds to finance revenue-producing activities:

1. The work must be priced and incorporated into the appropriate budget schedules in response to the annual field budget call process (see DOE guidance on budget formulation).

2. The required funding levels for accomplishing the work must be approved through the Office of Management and Budget and congressional budget process and subsequently reflected in the respective annual DOE appropriation account(s).

3. The resources must be allotted, reflected in the AFPs, and made available for obligation and expenditure.

(b) The requirements in paragraph 4g(2)(a) do not apply to routine deliveries of standard products that will not require the use of current budgetary resources except to replace the stock on hand and providing that an allotment and an AFP are available.

h. Accounting for Revenues. Illustrative entries for recording revenue transactions are in the Standardized Pro Forma Accounting Transactions Document.

(1) Current-Period Sale of Products and Services. Revenue for products and services shall be recognized as earned when products are delivered, services are performed, or progress payments are received.

(2) Long-Term Contracts for Sale of Products or Services. Revenue for the sale of products or services sold under a long-term contract shall be recognized in the period in which the products or services are physically or constructively delivered to the purchaser. Constructive delivery occurs when DOE meets the obligations of the long-term contract.

5. COOPERATIVE WORK WITH OTHER FEDERAL AND NON-FEDERAL ENTITIES.

a. General. Cooperative work differs from reimbursable work in that it is part of DOE's direct mission in which DOE receives appropriated funds that may be used in a cooperative effort with one or more Federal or non-Federal participants. Cooperative work with Federal agencies arises when Congress directs collaboration between the Department and one or more Federal agencies for a specific project or when DOE receives funds from another Federal agency in support of a DOE mission related program for purposes of sharing in the results of the project data to carry out the participating agency's mission. This work is not subject to requirements of DOE O 481.1C.

b. Policy

(1) DOE funds shall not be used to finance a cosponsor's share of a cooperative work project. If the non-Federal contributions are not provided to the Department for obligation and disbursement, such contributions of the non-Federal cosponsor may be paid directly to the performing site/facility management contractor. When a cooperative work agreement allows the non-Federal customer's share of cash to flow through the Department, advance funding from the non-Federal cosponsor shall be obtained for subsequent obligation and disbursement by the Department.

(2) Efficient and economical transfer-of-funds procedures shall be established and maintained for all cosponsor funds received and controlled by the Department.

(3) Funds received by the Department from a cosponsor shall be controlled and accounted for in such a manner that provides specific identification and reconciliation on a project-by-project basis.

c. Cooperative Work With Other Federal Agencies will be reported in Budget and Reporting (B&R) subprogram codes 40 50, Cost of Cooperative Work with Other Federal Agencies, and revenues will be reported in B&R subprogram 50 50, Reimbursement for Cooperative Work with Other Federal Agencies. Activity under this program shall be supported by interagency cooperative funding agreements that specify the contribution of each party. The contribution of the Federal administrative charge, without the contribution of direct program funds, does not meet the criteria for an interagency cooperative funding agreement. DOE funds shall not be used to support other agencies' share of costs. Cooperative work shall be managed and accounted for in the same manner as the reimbursable work program of this chapter.

d. Cooperative Work with Non-Federal Entities.

(1) Description and Nature of Work. Cooperative work with non-Federal entities refers to jointly funded, cooperative efforts to perform research, development, and demonstration projects and other work of an experimental nature undertaken by DOE

and one or more non-Federal cosponsors (domestic or foreign) for mutual benefit.

(a) DOE requires a cash advance to finance the cosponsor's share of the cooperative work project. The cosponsors use a funds-in arrangement to contribute their share of the project, providing funding directly to DOE for deposit into an appropriate Treasury account for the subsequent obligation and disbursement by DOE.

(b) The provisions of this section do not apply to funds-out cooperative work agreements.

(2) Authority to Perform Work. Before entering into agreements for cooperative work with non-Federal entities, DOE must determine the specific legal or statutory authorities for performing the work. When such activities are under consideration, the following authorities should be consulted:

(a) Public Law 93-438, the Energy Reorganization Act of 1974, section 107(a), authorizes the Energy Research and Development Administration to make arrangements (including contracts, agreements, and loans) for conducting research and development activities with private or public institutions or persons, including participating in joint or cooperative research, developmental, or experimental projects. This act also authorizes the Administrator of the Energy Research and Development Administration to participate in international cooperative efforts in energy-related research and development. Public Law 95-91, the Department of Energy Organization Act, section 301(a), transferred the functions of the Energy Research and Development Administration to DOE.

(b) Public Law 95-224, the Federal Grant and Cooperative Agreements Act of 1977, defines the circumstances and conditions for using contracts, grants, and cooperative agreements.

(c) The General Accountability Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Guidance, and the Department of the Treasury and General Accounting Office Joint Regulation No. 3 of June 12, 1951, Procedure for Handling Special, Trust, Revolving, and Deposit Fund Collections, provide that receipts deposited to certain special funds are available for expenditure without the issuance of covering warrants.

(3) Requirements. Before initiating work, the responsible head of Departmental element shall establish and execute a written agreement with all parties in a cosponsored work project. This agreement shall set forth the work to be accomplished, each cosponsor's share of cost, the payment method, and related requirements.

(a) When the agreement provides for an incremental financing arrangement with the cosponsor(s), DOE shall establish a corresponding funding schedule and include it in

the written agreement. Such a funding schedule shall provide for sufficient advance payments in accordance with paragraph 5d(4)(c).

(b) DOE shall consider, when applicable, the criteria set forth in the "Information Guide to the Work for Others Program" for establishing reimbursable work agreements.

(c) Charges for cosponsored work agreements shall be developed in accordance with DOE 522.1, "Pricing of Departmental Materials and Services."

(4) Basis of Budgetary Resources.

(a) DOE. Budgetary resources necessary to perform DOE's share of cooperative work agreements with non-Federal entities are provided from direct appropriated funds, provided that the work is budgeted and approved in accordance with the procedures contained in paragraph 4g(2). The allotment shall serve as both the obligational authority and the budgetary resource to accomplish the work.

(b) Non-Federal Cosponsor. The budgetary resource necessary to accomplish the non-Federal cosponsor's share of the cooperative work agreement shall be derived from cash advances obtained from the cosponsor before work commences.

(c) Advances. DOE shall not use Federal funds to finance a cosponsor's share of a project. DOE shall obtain advances from non-Federal cosponsors before work commences. Advances shall be sufficient to cover the obligational and cash requirements of the work until a subsequent advance request can be made, collected, and recorded. Advances shall also cover expected termination costs that DOE could incur on behalf of the cosponsor.

(5) Authority Contained in Allotments. After receipt of an advance, cooperative work shall be performed under B&R subprogram 60 50, Cost of Cooperative Work with Non-Federal Entities, and B&R code 70 50, Reimbursement for Cooperative Work with Non-Federal Entities.

(6) Accounting for Cosponsored Work.

(a) Execution and Control of Agreements. In controlling and accounting for funds received for cosponsored work, DOE shall maintain the identity and integrity of each cosponsor's share of funds separately on a project-by-project basis. DOE shall not use Federal funds to supplement or finance a cosponsor's share of a project.

(b) Accounting for Advances Received for Cosponsored Work.

1. An advance payment from a cosponsor shall be recorded as a liability. As cost is

incurred, revenue will be recognized and the liability account will be reduced. For the appropriate designated financial codes and illustrative entries, see the Standardized Pro Forma Accounting Transactions Document.

2. When DOE receives funds from a foreign cosponsor, the Department shall use the services of the central bank of the country involved whenever possible. Correspondent banks should be used only if doing so is cost-effective. The transfer of funds shall be arranged on a project-by-project basis in consultation with the CFO or the Field CFO.

3. DOE's liability in cosponsored work projects shall be limited to the appropriations available for the Department's share of the project.

6. ADVANCES FOR COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS (CRADAs).

a. General. Funds-in CRADAs are subject to the same budgetary resource and advance-payment requirements as other non-Federal work for others, except for the limited deviations encompassed in the following CRADA advance-funding guidance. A budgetary resource is required before initiating work. Therefore, except for the Cost of Work program WN65 alternative described below, no DOE funds shall be used, even on a temporary basis, to cover any of a participant's share of project obligations.

b. Funding Requirement - Full funding is required before beginning CRADA work that has an estimated cost of $25,000 or less or that will be completed in 60 days or less. However, with Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards described under 2.e(3) of this Chapter, the maximum funding that can be collected from the sponsor may not exceed 30 days of work to be performed under the contract.

For CRADA work that has an estimated cost of more than $25,000 and whose period of performance exceeds 60 days:

(1) The Department shall obtain, prior to performing any work, a budgetary resource sufficient to cover the anticipated work that will be performed during the first billing cycle.[2]

(2) The Department shall also obtain, prior to performing any work, 60 days of additional funding to ensure that funds remain available for the project during subsequent billing cycles. To the extent allowed by the billing and collection procedures of individual DOE site/ facility management contractors, the Field CFOs should work with

[2] Billing Cycle – period of time between billings, usually thirty days. The billing cycle is complete when the customer is billed for services rendered.

laboratories to approve exceptions to this requirement, with the goal of reducing the normal advance payment amount to 30 days or less.

(3) Field CFOs may require additional advance payments to account for estimated termination costs or other costs as appropriate for individual projects.

(4) No DOE budgetary resources shall be utilized to fund work for CRADA partners.

c. Exceptions to Funding Requirement - exceptions to the requirement for advances from CRADA partners will be permitted only as specified below:

(1) Granted by Cognizant Field CFO. The cognizant Field CFO may approve exceptions to the normal advance funding requirement. These exceptions could include a blanket waiver for a site/facility contractor or waivers for individual projects. For all such waivers, the cognizant Field CFO must (1) certify that billing and payment procedures are adequate to allow for a shorter advance requirement without costs exceeding available budgetary resources and (2) provide the HQ CFO with a 10 business day advance notification using the templates included as attachments 13-6 and 13-7 to this chapter. All waivers granted by cognizant Field CFOs shall be reviewed annually, and recertified as applicable. Field CFOs shall notify the HQ CFO of recertification decisions not later than November 1 of each new fiscal year.

(2) Site/facility Management Contractor Advance Funding. The site/facility management contractor performing the work may provide DOE with earned award or management fees, royalties, or other corporate funds to support the advance funding requirements.

(3) Special requirements for agreements with recipients of Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards. Notwithstanding the normal advance payment requirements in this chapter, the Department is prohibited from charging SBIR and STTR recipients an advance payment amount that exceeds the amount necessary to pay for 30 days of work, if the work to be performed is part of the scope of the SBIR or STTR award. (Section 9 of the Small Business Act (15 U.S.C. 638), *Advance Payment*.) DOE sites that have cooperative research and development agreements with recipients of SBIR or STTR awards must have billing and collection procedures that meet the requirements specified in paragraph 2.e.(3)(b) of this chapter. For any DOE sites that cannot meet these billing and collection procedures, funding is available under the Cost of Work for Others Program appropriation as provided for under Paragraph 6.c(4) below.

(4) Use of the Cost of Work for Others Funding. If a state or local government has a statute or other legal requirement prohibiting advancing funds for the CRADA work, the Cost of Work for Others Program (WN65) under the Departmental Administration Appropriation may be used. Because of the statutory prohibition on collecting full

advance funding from recipients of SBIR and STTR awards, the Cost of Work for Others funding may also be used to cover required obligations for affected cooperative research and development agreements.

When the Cost of Work program WN65 is used to record CRADA participant obligations, the site/facility management contractor must regularly bill the participant for its share of costs incurred and ensure collection on all billings. Failure of the participant to promptly pay the invoices shall be cause for termination of the CRADA.

a. Field CFOs shall budget for the Cost of Work for Others Program for both State and local government (WN6501) and SBIR/STTR Recipients (WN6502) CRADA activities.

b. Collections for participants' share shall be recorded and deposited to account 89 5228.1, Departmental Administration.

(5) DOE Funded Cost Agreement. When the CRADA work is provided to fill a verified requirement of work for a DOE-funded cost-type contract, the CRADA agreement from the DOE-funded participant shall constitute the budgetary resource

(6) Other Small Businesses. If a small business (not SBIR/STTR recipient) is unable to meet the advance funding requirement, the participant's obligations may be recorded using available funds in the Cost of Work program WN65 under the Departmental Administration appropriation. In the case of a small business funded through WN65, the small business is also required to establish an irrevocable trust or escrow account to serve as a guarantee of the amounts due from the participant. The following procedures must be met for this exception:

(a) Allotments. CRADA obligations for a small businesses share will be recorded in Cost of Work program WN65. Allotments providing Cost of Work for Others Program funding for small business activities shall include the following restriction: For non-Federal small business' technology transfer activities authorized to be financed under the Cost of Work for Others Program, obligations against that portion of the budgetary resources provided in this allotment associated with budget and reporting account WN6502 shall be restricted to the lesser of (a) the amount in the accompanying approved funding program for WN6502 or (b) the total of the confirmed deposits in the trust or escrow account(s) plus the payments received from the participant(s)

(b) Establishing a Trust or Escrow Account for a CRADA. The small business must establish an irrevocable trust or escrow account to serve as a guarantee of the amounts due from the participant. The balance in this account must be maintained at a level equivalent to meet the advance requirements for the project. Accrued costs and commitments related to the small business' share of the project shall not

exceed the balance in the trust or escrow account plus the payments received from the small business. The agreement for the trust or escrow account must be reviewed and approved by the Field CFO before execution and must be signed by an authorized representative of the site/facility management contractor, the participant, and the financial institution.

The review must assure that the agreement provides for the following:

a. The participant must agree to deposit and maintain funds equivalent to approximately the amount of the advance funding requirement in an irrevocable trust or escrow account where the site/facility and management contractor retains the exclusive right to make withdrawals as required.

b. Confirmation of the deposit(s) must be forwarded directly to the Field CFO by the financial institution.

c. The account must be established at a financial institution that is insured by the Federal Deposit Insurance Corporation and agrees to fully collateralize any balance in the account that exceeds the maximum insured amount.

d. The Field CFO will maintain memorandum general ledger accounts of the deposit(s) to the trust or escrow account.

e. Interest earnings on the account shall be payable to the participant. However, the account must be structured so there is no risk to the principal balance.

f. Once the participant's final payment is received, the site/facility management contractor and participant will jointly, in writing, authorize closing of the account and the release of any remaining balance to the participant. The site/ facility management contractor will provide a copy of the executed authorization to the Field CFO.

g . Collections for participants' share shall be recorded and deposited to account 89 5228.1, Departmental Administration.

h. Accounting Entries**.** Use the specific accounting financial codes and illustrative entries found in the Standardized Pro Forma Accounting Transactions Document.

7. APPROPRIATION REFUNDS.

a. Description. Refunds to appropriations are amounts received that represent the return to DOE of payments made to others. Refunds result from overpayments, payments made in error, or adjustments for previous amounts disbursed, including returns of authorized advances and rebates. This also includes amounts collected by the Department from

site/facility management contractors for disallowed costs, excluding collections of depreciation and assessments of interest, penalties, and administrative charges. Unlike reimbursements, refunds are directly related to previously recorded disbursements. The recovery of an erroneous payment or overpayment qualifies as a refund to the specific appropriation originally charged and is not to be returned to the General Fund of the Treasury.

b. Accounting for Refunds. Refunds shall be deposited in the same appropriation accounts as the previously recorded disbursements. The deposited refunds may be available for expenditure or deobligation. Detailed policy and guidance for determining the availability of appropriations and fund balances are covered in Chapter 3, "Accounting for Appropriations and Other Funds." When preparing Standard Form 133, "Report on Budget Execution," refunds shall be netted against the obligations and outlays of the appropriation accounts.

8. SITE FACILITY/MANAGEMENT CONTRACTOR COLLECTIONS. Collections received by the Department's site/facility management contractors shall be accounted for as (a) appropriation reimbursements, (b) reductions of cost, (c) Departmental Administration receipts; or (c) Treasury General Fund miscellaneous receipts.

a. Appropriation Reimbursements. Deposit all collections for reimbursable work and revenue programs directly into Treasury as a credit to a DOE appropriation account.

b. Reductions of Cost. Collections accounted for as reductions of cost may be deposited into the site/facility management contractor's DOE special financial institution account. The following collections may be accounted for as reductions of cost:

(1) Budgeted Collections. Collections that are budgeted as offsets to cost and are for materials and services may be retained by the site/facility management contractor if *all* of the following criteria are met:

(a) Retention of collections is authorized by the contract.

(b) Materials and services provided are:

1. Generally of an overhead nature

2. Incidental to and unrelated to the unique features of the direct program mission.

3. Furnished as a convenience to individuals (primarily DOE and DOE site/facility management contractor employees). Examples are as follows: collections received for bus, food, and cafeteria services and housing. If collections of this nature are not budgeted as cost offsets or are in excess of the

amount that was budgeted, they must be returned to DOE for re-allotment or deposited into Treasury as General Fund miscellaneous receipts.

(2) Other Collections. Other collections that may be deposited into the site/facility management contractor's DOE special financial institution account include the following:

(a) Proceeds of personal property sales, if authorized by the contract (see paragraph 11b(3)).

(b) Collections from other DOE contractors for cash work under $100,000.

(c) Refunds resulting from overpayments, payments made in error, or adjustments for amounts previously disbursed, such as returns of authorized advances.

(d) Rebates, such as commissions or rebates from travel agents, utilities, and the General Services Administration (GSA) for gasoline, shall be deposited to the DOE special financial institution account, subject to the following conditions:

1. The rebate must be credited as a refund to the same account(s) initially charged with the payment.

2. The rebate must be used to offset costs related to the same general purpose for which the initial payment(s) was made.

c. Departmental Administration and General Fund Miscellaneous Receipts. Collections not covered under either paragraph 8a or paragraph 8b (for example, interest, penalties, and administrative charges collected on delinquent accounts receivable) will be deposited into the following Departmental Administration and General Fund miscellaneous receipt accounts:

(1) Departmental Administration – 89 5228

(2) Interest. Account 891435, General Fund Proprietary Interest, Not Otherwise Classified.

(3) Administrative Charges and Penalties. Account 891099, Fines, Penalties, and Forfeitures Not Otherwise Classified.

9. DONATIONS, GIFTS, AND BEQUESTS. (RESERVED)

10. DEPOSIT FUNDS. Deposit fund accounts are a special account classification established for receipt and subsequent expenditure of money held on deposit and later returned to the

pay or paid to another upon determination of proper disposition. Deposit funds, unlike appropriated fund or special receipt accounts, are outside the budget. They are classified in the 6000 series of Treasury Deposit Accounts and represent a liability for any of the following: moneys withheld by the Government from payments for goods and services, including payroll deductions for savings bonds or State taxes; moneys received from outside sources for which the Government is acting solely as a banker, fiscal agent, or custodian; money held by the Government awaiting distribution on the basis of a legal determination, including disputes where ownership is in doubt and there is no present basis for estimating ultimate distribution; and unidentified remittances credited as suspense items not associated with a fund (special receipt) account (See Attachment 13-5 and Treasury Financial Manual (I TFM 2-1535).)

a. Disposition. Once proper disposition of a deposit is determined, the finance office shall remove it from the deposit fund account and credit it to the proper receipt, appropriation, or fund account, or remit or return it to the proper authority/party. See paragraph 13 and the Treasury Financial Manual, volume I, part 6, chapter 3000 (I TFM 6-3000), for guidance on proper disposition of unclaimed moneys held in deposit fund accounts.

b. Reviews. Deposit funds shall be analyzed each quarter to determine whether they are holding unclaimed moneys for rightful owners.

11. MISCELLANEOUS RECEIPTS.

a. Policy. As a general rule, all collections received by DOE shall be deposited as miscellaneous receipts into the General Fund of the Treasury unless otherwise authorized by statute or authorized to be retained by the Departmental Administration Account. Retaining and using collections that DOE should have deposited as miscellaneous receipts is an inappropriate augmentation of DOE's appropriations. See 31 U.S.C. 3302.

b. Exceptions: Proceeds of Personal Property Sales.

(1) Disposal by the General Services Administration (GSA). Proceeds received by DOE offices from the sale of plant and equipment shall be handled generally as miscellaneous receipts. To be credited on the requisition and disposal documents, the DOE office requesting GSA to sell the plant and equipment must clearly identify the appropriate DOE officer and office by Agency Location Code and appropriation code. If the property is turned over to GSA, the DOE office shall make no entries until the sale has been completed.

(2) Use of Proceeds for Replacement of Personal Property. Proceeds received by DOE offices from sales of personal property disposed of pursuant to exchange and sale authority in Federal Property Management Regulation 101-46 and before replacement will be deposited in the clearing account 89F3845, Proceeds of Sales, Personal Property. Such funds will remain available for expenditure for the acquisition of

similar items of personal property through the fiscal year following the sale. However, sales proceeds that are not applied to the purchase of the replacement property within the time limits specified shall be re-deposited into miscellaneous receipts as prescribed in Federal Property Management Regulation 101-46.404. Proceeds received from sales of property after the purchase of replacement property may be deposited as direct reimbursement credits to the appropriation previously charged for the replacement items.

(3) Site/Facility Management Contractor Collections from Sale of Personal Property. Regarding collections by site/facility management contractors (as stated in their contracts), proceeds from the sales of surplus personal property shall be handled as reductions to such site/facility management contractors' cost in accordance with applicable provisions in their contracts and credited to the Operating Expense or Plant and Capital Equipment appropriation account as appropriate. Proceeds applied in whole or in part as payment for similar replacement property shall be documented. When personal property is transferred from a DOE office to a contractor solely for the purpose of disposal, the contractor shall return the proceeds to the DOE office, which handles them as miscellaneous receipts and returns them to Treasury.

(4) Nuclear Waste Fund. Proceeds from the sale of capital equipment owned by the Nuclear Waste Fund shall be returned to the Nuclear Waste Fund or the Interim Storage Fund rather than submitted to the Treasury General Fund as miscellaneous receipts.

c. Types of Collections. Attachment 13-5 provides a listing of the miscellaneous receipt accounts currently used by DOE. These accounts represent a wide variety of collections, including such significant activities as the sale of electric power by the Southeastern, Southwestern, and parts of the Western Area Power Administrations. A complete listing of all Treasury General Fund miscellaneous receipt accounts can be found in the supplement to volume I of the Treasury Financial Manual.

d. Accounting Considerations. When depositing collections as miscellaneous receipts into the General Fund of the Treasury, use the appropriate account codes and illustrative entries contained in the Department's standard general ledger account codes and definitions and related financial codes maintained by the Office of Finance and Accounting.

12. REIMBURSABLE PERSONNEL DETAILS.

a. Policy. Collections received for the following shall be returned to DOE and treated as refunds to the appropriation(s) bearing the expense: personnel detailed on temporary assignment to other Federal agencies; State, local, and Indian tribal governments; institutions of higher education; and other approved eligible organizations. Reimbursements received for site/facility management contractors eligible to participate

under the authority of the IPA should be returned to DOE or to the entity that authorized the expense for credit as refunds to the appropriation(s) bearing the expense.

b. Authorities.

(1) Title 31, U.S.C., section 1535 (the Economy Act), shall be cited when DOE Federal employees are detailed on temporary assignment to other Federal agencies.

(2) Title 5, U.S.C., sections 3371-3376 (Intergovernmental Personnel Act of 1970, as amended), provides for the assignment of personnel between Federal, State, local, and Indian tribal governments; institutions of higher education; and other approved and eligible organizations.

(3) Title 5, Code of Federal Regulations, part 334 (Temporary Assignment of Employees Between Federal Agencies and State, Local, and Indian Tribal Governments, Institutions of Higher Education, or Other Approved Eligible Organizations), establishes policies and procedures for the Intergovernmental Personnel Act Program.

13. UNCLAIMED MONEYS.

a. Policy.

(1) Unclaimed moneys held in un-invested trust, revolving, or deposit funds for rightful owners shall either be returned to the depositor or deposited in Account 20X6133 in accordance with the following criteria:

(a) Amounts of $25.00 or more should be returned promptly to the depositor without the presentation of a claim.

(b) Amounts of $25.00 or more that have been held for more than 1 year and that are properly refundable and cannot be refunded because the individual's whereabouts are unknown must be transferred to Account 20X6133, "Payment of Unclaimed Moneys." For an item to be cleared from revolving and deposit fund accounts and transferred to Account 20X6133, it must meet all four of the following criteria: (1) the amount is $25.00 or more; (2) a refund, upon claim, would be absolutely justified; (3) there is no doubt as to legal ownership of the funds; and (4) a named individual, business, or other entity can be identified with the item. Amounts cleared from DOE's trust and deposit fund accounts and transferred to Account 20X6133 must be fully documented as refundable, but it must be indicated that the individual's whereabouts are unknown. These items will constitute the active records of DOE's subsidiary ledger for Account 20X6133.

(C) Unclaimed amounts of less than $25.00 or amounts of $25.00 or more that have been held for more than 1 year and do not meet all of the criteria for transfer to

Account 20X6133 must be transferred to Miscellaneous Receipt Account 1060, "Forfeitures of Unclaimed Money and Property."

(2) Initiate action to clear balances that have been held in un-invested trust, revolving, and deposit fund accounts for more than 1 year. These balances represent moneys held for rightful owners whose whereabouts are unknown.

(3) Verify that the proper account (Account 20X1807, "Refund of Moneys Erroneously Received and Covered") is being used for expenditures that are made for collections or other receipts erroneously deposited into Treasury. These collections represent receipts that were not properly chargeable to any other appropriation.

(4) Unclaimed balances that are due individuals whose whereabouts are unknown are to be cleared from DOE's accounts at least once each year.

b. Authority. Title 31, U.S.C., section 1322, contains provisions applicable to collections or other receipts erroneously received.

c. Review of Unclaimed Money Accounts. Un-invested trust, revolving, and deposit fund accounts shall be analyzed each quarter to determine whether they are holding unclaimed moneys that may be refunded to the depositor.

d. Settlement Action. Payment of moneys from Accounts 20X6133 and 20X1807 may be made without settlement action by the Government Accountability Office. However, if there is any doubt concerning the propriety or legality of any claim presented for payment, the matter should be submitted to the Claims Division of the Government Accountability Office for settlement action prior to payment.

e. Maintenance of Records. Adequate records in support of moneys being held for rightful owners in Account 20X6133 must be maintained. The individual records of all items transferred to the miscellaneous receipt account (1060) are to be filed in a closed file in the event claims are received. In addition, the following records are to be maintained: (1) memorandum accounts for 20X6133 and 20X1807 and (2) a file of paid disbursement voucher forms with supporting documents for payments made from these accounts. These records must be made available to internal auditors and auditors conducting onsite audits for the Government Accountability Office.

f. Special Reporting. Treasury may, from time to time, request reports on transactions and/or balances pertaining to Accounts 20X6133 and 20X1807. The Treasury Financial Manual, volume I, part 6, chapter 3000, contains detailed procedures for transferring unclaimed moneys, reporting of transfers, and making payments from Accounts 20X6133 and 20X1807.

14. REPAYMENTS FROM PROJECTS UNDER THE CLEAN COAL TECHNOLOGY PROGRAM AND THE CLEAN COAL POWER INITIATIVE.

a. Background. The Clean Coal Technology (CCT) Program was originally authorized by Public Law 98-473, "Joint Resolution Making Continuing Appropriations for Fiscal Year 1985 and for Other Purposes." The CCT Program became divided into five rounds of demonstration projects (CCT-I through CCT-V). Cost-shared projects for the various rounds were selected through competitive solicitations funded by a succession of Department of the Interior and Related Agencies Appropriations Acts. CCT was a precursor to the Clean Coal Power Initiative (CCPI). CCPI was originally authorized by Public Law 107-63. The CCPI Program became divided into three rounds of demonstration projects (CCPI-1 through CCPI-3). Only CCPI-1 and CCPI-2 had repayment provisions.

b. Authority for DOE to Retain Moneys Received. Each of the following Appropriations Acts for the Interior and Related Agencies contains a provision under the caption, "Administrative Provisions, Department of Energy," which creates an exception to the Miscellaneous Receipts Act (31 U.S.C. 3302) for the Department to retain repayments received as a result of repayment provisions for the various CCT projects appropriated under them: Public Law 99-190, of December 19, 1985; Public Law 100-202, of December 22, 1987; Public Law 100-446 of September 27, 1988; and Public Law 101-121 of October 23, 1989. Repayments received as a result of CCT projects appropriated under the aforementioned Appropriations Acts may be retained and made available until expended on costs associated with appropriate cooperative agreements, with any remainder to go into the Treasury.

c. Use of Moneys Received. The "Administrative Provisions, Department of Energy," contained in the aforementioned Appropriations Acts, provide that the moneys received are to be expended only on "plant construction, operation, costs, and payments to cost sharing entities," all as provided for in the appropriate cooperative agreements Administrative costs associated with the CCT projects may be funded under the "necessary expense" doctrine of Appropriations Law. Moneys obtained from a project in one round may be used for costs related to a project in another round.

d. Account for Deposit of Moneys Received. Moneys received shall be deposited directly to the Clean Coal Technology Appropriations Account, 89X0235, using Revenue Budget and Reporting Code (B&R) ZN0300000, "Repayments from Clean Coal Technology Projects." Detailed accounting transactions are contained in the Standardized Proforma Accounting Transactions System. Please contact the Office of Financial Risk, Policy and Control at (202) 586-4860 for the appropriations account and B&R to deposit monies for the Clean Coal Power Initiative.

e. Availability for Reapportionment and Reallotment. Moneys received are available for reapportionment by the Office of Management and Budget, and subsequently for

reallotment to the CCT/CCPI Program, in the next fiscal year after receipt.

f. Obligations of Moneys Received. Money received from the various CCT projects under the repayment provisions of the cooperative agreements may be obligated to any ongoing CCPI project for payment of DOE's share of costs in accordance with the cost sharing terms of the cooperative agreements for those projects, until those moneys are fully expended, or until all DOE cost-sharing payments on the various projects have been made. In the latter case, any remaining or future moneys received must be returned to the Treasury as miscellaneous receipts.

15. USER FACILITIES OR TECHNOLOGY DEPLOYMENT CENTERS

a. Applicability. This paragraph provides policy guidance for advances and collections received by or for the Department as a result of non-DOE entity use of any facility, structure, or other improvement thereon, etc. (hereafter referred to as facility) that has been approved for use by non-DOE entity users through funds-in user agreements. A facility must be officially approved as a User Facility or Technology Deployment Center by the cognizant Secretarial Officer before entering into agreements with any users.

b. Authorities.

(1) 31 U.S.C. 9701, "Fees and Charges for Government Services and Things of Value," provides that each service or thing of value provided by an agency is to be self-sustaining to the extent possible.

(2) 42 U.S.C. 7259b (Public Law 95-91, section 649b) authorizes the Secretary of Energy to permit the use of DOE facilities by outside public and private agencies, corporations, associations, or other organizations or by individuals.

(3) 42 U.S.C. 7259c (Public Law 95-91, section 649c) authorizes the Secretary to use proceeds from reimbursements received under 42 U.S.C. 7259b to pay directly the costs of the equipment or facilities provided.

(4) Public Law 105-261, National Defense Authorization Act for Fiscal Year 1999, section 3137, "Activities of Department of Energy Facilities," provides pricing direction on Federal administrative charges.

c. Policy.

(1) Funds-in user agreements are subject to the same budgetary resource, budgetary authority**,** and advance-payment requirements as other funds-in agreements

(2) A budgetary resource and authority is required before initiating or continuing non-DOE entity use of a facility beyond the period specified in the user agreement or

the amount of funding provided. DOE funds shall not be used, even on a temporary basis, to cover any of the non-DOE entity user's costs.

(3) Collections received by or for the Department as a result of non-DOE entity use of any facility, structure, or other improvement thereon shall be used by the Department to reimburse the site/facility management contractor's cost incurred in making the facility available to the non-DOE entity user. However, any amounts received by the site/facility management contractor for the Federal administrative charge should be deposited expeditiously to the Departmental Administration Special Receipt Account (Treasury account number 895228.1).

(4) Advances.

(a) Budgetary Authority for Advances Received for Funds-in User Agreements. When an advance is required, after its receipt, DOE will provide budgetary authority in the site/facility management contractor's Financial Plan net of the Federal administrative charge.

(b) **Accounting for Advances Received for Funds-in User Agreements.** An advance payment shall be recorded as a liability. As cost is incurred, revenue will be recognized and the liability account will be reduced. For the appropriate designated financial codes and illustrative entries, see the Standardized Pro Forma Accounting Transactions Document.

(5) Pricing. Pricing will be in accordance with DOE Order 522.1 and CFO Interim Guidance of October 29, 1998, implementing the National Defense Authorization Act for FY 1999 direction on Federal Administrative charges,

16. OTHER COLLECTIONS. Disposition of any collections received by DOE that cannot be classified appropriately under the 14 categories described above (paragraphs 2 through 15) must be determined on a case-by-case basis in consultation with the CFO.

ATTACHMENT 13-1

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: REIMBURSABLE & COOPERATIVE WORK

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X0240.92	Reimbursable & Cooperative Work for Non-Federal Entities—Weapons Activities	Public Law 95-91 Energy Reorganization Act	Collections from non-Federal entities for reimbursable and cooperative work programs related to defense activities.	The amounts collected to offset added factor and depreciation are deposited to 895228. Departmental Administration Special Receipt Account.
89X0240.93	Reimbursable & Cooperative Work for Other Federal Agencies—Weapons Activities	31 U.S.C. 1535	Collections from Federal agencies for reimbursable and cooperative work under defense appropriations.	
89X0240.95	Reimbursable Work for Non-Federal Entities (Technology Transfer Activities)—Weapons Activities			
89X0224.92	Reimbursable & Cooperative Work for Non-Federal Entities—Energy Supply Research & Development		Collections from Non-Federal entities for reimbursable and cooperative work programs under other than defense appropriations.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X0224.93	Reimbursable & Cooperative Work for Other Federal Agencies—Energy Supply Research and Development	31 U.S.C. 1535	Collections from Federal agencies for reimbursable and cooperative work programs under other than defense appropriations.	
89X0224.95	Reimbursable Work for Non-Federal Entities (Technology Transfer Activities)—Energy Supply Research and Development Activities			
89X0302.92	Reimbursable & Cooperative Work for Non-Federal Entities (Southeastern Power Administration)			
89X0302.93	Reimbursable & Cooperative Work for Other Federal Agencies (Southeastern Power Administration)	31 U.S.C. 1535		
89X0303.92	Reimbursable & Cooperative Work for Non-Federal Agencies— Southwestern Power Administration)		Collections from non-Federal agencies for reimbursable and cooperative work programs under the Southwestern Power Administration.	
89X0303.93	Reimbursable & Cooperative Work for Other Federal	31 U.S.C. 1535	Collections from Federal agencies for reimbursable and	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
	Agencies—Southwestern Power Administration		cooperative work programs under the Southwestern Power Administration.	
89X5068.92	Reimbursable & Coopera-tive Work for Non-Federal Entities (Western Area Power Administration)		Collections from non-Federal entities for reimbursable and cooperative work programs under the Western Area Power Administration	
89X5068.93	Reimbursable & Coopera-tive Work for Other Federal Agencies—Western Area Power Administration	31 U.S. C 1535	Collections from other Federal agencies for reimbursable and cooperative work programs under the Western Area Power Administration	

(This page is intentionally blank)

ATTACHMENT 13-2

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: REVENUES

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
Revenues available to DOE:				
89X0206	Geothermal Loan Guarantee and Interest Assistance Program—Geothermal Resources Development Fund	16 U.S.C. 410	Fees and recoveries collected for Geothermal Loan Guarantee Power Act	
89X0233	Strategic Petroleum Reserve—Petroleum Account	Public Law 97-35	Proceeds from Resale of Strategic Petroleum Reserve oil reserves	Deposit
89X0235	Clean Coal Technology	Administrative Provisions of Appropriations Acts for Department of the Interior and Related Agencies	Recoupments from cost-shared agreements under the Clean Coal Technology Program. CCT collections received are apportioned by OMB and reallotted to the program in the year following receipt.	
89X4180	Isotope Production and Distribution Fund	Public Law 101-101	Revenues received from the production, sale, and distribution of isotopes.	Deposit directly 89X4180

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X4452	Colorado River Basin Power Marketing Fund, Western Area Power Administration	43 U.S.C. 620d; 43 U.S.C. 7152	Revenues received from the Colorado River Storage Project, the Colorado River Basin Project, and the Fort Peck Project	Deposit directly into revolving fund 89X4452
89X4563	Working Capital Fund			
89X5105	Licenses under Federal Power Act for Public Lands and National Forests	16 U.S.C. 810	Receipts from licenses for occupancy and use of national forests and public lands.	Direct deposit; i.e., revenues deposited directly into expenditure account 89X5105
89X5180	Energy Security Reserve Alternative Fuels Production	42 U.S.C. 5915	Revenues from operating the Great Plains Gasification Project.	Direct deposit; i.e., revenues deposited directly into expenditure account 89X5180
Revenues that are offset against appropriations or used as a direct source for appropriation:				
895000.26	Sale of Electric Energy, Bonneville Power Administration	43 U.S.C. 391	Collections from the sale of power that are required to be returned to Bureau of Reclamation.	
895000.27	Sale of Power, Western Area Power Administration	43 U.S.C. 391	Receipts from the sale of power, Western Area Power Administration Reclamation	A portion of these receipts are used to fund 895069

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			Fund.	Western Area Power Administration Emergency Fund. Expenditures from 89X5069 are authorized for specified emergencies
895000.28	Other Reclamation Fund	43 U.S.C. 391	Other receipts generated from providing power.	
895226	Revenues from Enrichment of Uranium	42 U.S.C. 5821(h); 95 Stat 1143	Receipts from the sale of enrichment services in the Uranium Enrichment Program.	At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5226. Departmental account-ing will then transfer to 89X0226. These revenues will be used to offset the appropriation.
89X5227.1	Nuclear Waste Fund—Fees for Disposal of Spent Nuclear Fuel	53 U.S.C. 10222	Fees collected from public utility companies that generate or own domestic spent nuclear fuel or high level radioactive waste resulting from civilian nuclear activities, for the preparation, transportation and disposal of the waste.	The fund account from which nuclear waste expenditures are made is 89X5227. The expen diture account 89X5227 is funded by deposits in 89X5227.1 and 89X5227.2.

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X5227.2	Nuclear Waste Fund—Interest and Profits Earned on Investments in Public Debt Securities	42 U.S.C. 10222	When the deposits to 89X5227.1 exceed the expected expenditures (refer to Chapter 20, "Nuclear Waste Fund") from 89X5227, the Department is authorized to invest these excess funds in Government securities. The interest and profits from these investments are deposited in 89X5227.2.	Unrealized discounts from the purchase of securities are recorded in 89X5227.21. When the discounts are realized, they are transferred to 89X5227.2.
895228.1	Departmental Administration Miscellaneous Revenues—Regular Funding	Public law 81-152 section 204(d); 97 stat 259	Revenues collected for products sold and services rendered under the cost of work for others program and other miscellaneous receipts budgeted Departmental administration.	At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5228. Departmental accounting will then transfer these funds to 89X0228. These revenues will be used to offset the appropriation.
895228.2	Departmental Administration Miscellaneous Revenues—Incremental Funding	Public Law 98-50	Incremental revenues for Departmental administration, DOE. This account is used in accordance with language that provides for any increase in cost of work programs when that	At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5228. Departmental accounting will then transfer these funds

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			increase is funded by an equal increase in revenues.	to 89X0228. These revenues will be used to offset the appropriation.
89X5229.1	Interim Storage Fund—Fees for Storage of Spent Nuclear Fuel	42 U.S.C. 10156	Fees collected for interim storage of spent nuclear fuel.	The fund account from which interim storage expenditures are made in 89X5229. The expenditure account is funded by deposits in 89X5229.1 and 89X5229.2.
89X5229.2	Interim Storage Fund—Interest and Profits on Investments in Public Debt Securities	42 U.S.C. 10156	When the deposits to 89X5229.1 exceed the expenditures from 89X5229, DOE is authorized to invest these excess funds in Government securities. The interest and profits from these investments are deposited in 89X5229.2.	Unrealized discounts from the purchase of securities are recorded in 89X5229.21. When the discounts are realized they are transferred to 89X5229.2.
895230	Revenues from Fees and Services Federal Energy Regulatory Commission—Special Receipt Account	Public Law 97-256.96 Stat. 2238.97 Stat. 258	Proceeds from fees and services provided by Federal Energy Regulatory Commis-sion.	At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5230. Departmental accounting will then transfer these funds to 89X0230. These revenues will be used to

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
				offset the appropriation.
89X4563	Working Capital Fund	42 U.S.C. 7263 42 U.S.C. 5815(g)	Receipts are derived from the fund's operations.	
89X5231	Uranium Enrichment Decontamination and Decommissioning Fund	Energy Policy Act of 1992, title XI	Special assessments of domestic utilities and congressional appro-priations.	
89X5231.1	Special Receipt Account—Uranium Enrichment Decontamination and Decommissioning Fund—Assessment, Deconta-mination, Decommis-sioning Services, Energy			
89X5231.2	Special Receipt Account—Uranium Enrichment Decontamination and Decommissioning Fund—Earnings on Investment, Department of Energy			
89X5231.3	Special Receipt Account—Uranium Enrichment Decontamination and Decommissioning Fund—			

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
	Foreign Fees—Energy			
89X5231.4	Special Receipt Account—Uranium Enrichment Decontamination and Decommissioning Fund—General Fund Payment, Defense, Department of Energy			

ATTACHMENT 13-3

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: DONATIONS OR GIFTS (RESERVED)

(This page is intentionally left blank)

ATTACHMENT 13-4

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: DEPOSIT ACCOUNTS

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X6050	Payroll Deduction for Savings Account		Payments collected for payroll deduction.	
89X6090	Unclaimed Moneys Due Creditors of Contractors with the Unites States Under Cost-Plus-a-Fixed-Fee Contracts, DOE.	91 Stat. 300-301	Moneys received by DOE for which the purpose of the receipt cannot be identified.	
89X6275	State and Local Incomes Pending		Payments collected for State and local income taxes.	
89X6425	Payments by Alleged Violators of DOE Regulations, DOE	31 U.S.C. 3515	Collections received from oil companies in settlement of violations of the Emergency Petroleum Allocation Act of 1973 (EPAA) and the Economic Stabilization act of 1970 (ESA). These funds are held in fiduciary responsibility and invested in either	Additional guidance is provided in Chapter 18 of the DOE Accounting Handbook, “Financial Management of Oil Overcharge Moneys.”

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			Department of the Treasury securities or through DOE's Minority Financial Institutions Deposit Program. These funds are subsequently used either to settle claims by third parties determined to have been injured by violation of the EPAA and the ESA or as otherwise directed by Congress.	
89X6429	Navel Petroleum Reserve Deposit Fund	P.L. 104-106. National Defense Authorization Act for 1996	Proceeds from the sale of Naval Petroleum Reserve Numbered 1 (Elk Hills)	
89X6427	Low-Level Radioactive Waste, DOE	99 Stat. 1849	Collections from generators of low-level radioactive waste. Twenty-five percent of the surcharge fees collected by States operating commercial low-level waste disposal sites are transferred to DOE monthly. These funds are held in fiduciary responsibility, invested in Department of the Treasury securities, and subsequently	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			disbursed, in accordance with statutory provisions, to States involved in development or operation of waste disposal facilities.	
89X6772	Contract Holdbacks, Southwestern Power Administration, Power Marketing Administration, DOE	42 U.S.C. 7151-7152	Funds held on contracts until proper disposition is determined.	
89X6875	Unidentified Remittances which are credited as Suspense Items Outside the Budget		Payments credited as suspense items outside the budget unless there is reasonable chance that they will be credited to a receipt, appropriation, or fund account within the budget.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes

(This page is intentionally blank)

ATTACHMENT 13-5

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: MISCELLANEOUS FUNDS TO DEPARTMENT OF THE TRESURY

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
Revenue programs:				
892230	Sale of Minerals and Mineral Products, DOE	31 U.S.C. 3302	Sale of gas and oil produced from Government-owned land and products of synthetic liquid fuels demonstration plants.	
892232	Proceeds from the Sale of Excess DOE Assets	31 U.S.C. 3302	Net proceeds from sale of excess assets under the Department's Strategic Alignment Initiative.	
892233	Sales of Russian Origin Uranium	31 U.S.C. 3302	Proceeds from the sale of Russian origin uranium.	
892242	Sale and Transmission of Electric Energy, Alaska Power Administration	31 U.S.C. 3302	Funds from sale of power and other utilities provided by the Alaska Power Administration.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
892245	Sale and Transmission of Electric Energy, Falcon Dam	31 U.S.C. 3302	Funds from the sale of power provided by the Western Area Power Administration.	
892247	Sale and Transmission of Electric Energy South-western Power Admini-stration	31 U.S.C. 3302	Funds from sale of power by and other utilities provided the Southwestern Power Administration.	
892248	Sale and Transmission of Electric Energy South-eastern Power Admini-stration	31 U.S.C. 3302	Funds from sale of power and other utilities provided by the South-eastern Power Admini-stration.	
892249	Sale of Power and Other Utilities, Not Otherwise Classified	31 U.S.C. 3302	Funds from sale of power provided by the Western Area Power Administration.	
Other collections:				
890840	Patent, Trademark, and Copyright Fees	31 U.S.C. 3302	Fees and other charges related to application issuance of patent, trademarks, and copy-rights.	
890869	Fees for Legal and Judicial Services, Not Otherwise Classified	31 U.S.C. 3302	Costs of administering special programs, fees and charges for admini-	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			strative, professional, and judicial services.	
891020	Fines, Penalties, and Forfeitures, Economic Stabilization Laws	31 U.S.C. 3302	Fines and damages for for violations of Emergency Price Control, second War Powers, and similar acts.	Includes payments from account 89X6425. Payments by Alleged Violators of DOE Regulations, that are to be returned to the Department of the Treasury as miscellaneous receipts.
891030	Fines, Penalties and Forfeitures, Immigration and Labor Laws	31 U.S.C. 3302	Forfeiture of bonds posted by aliens, penalties for violation of various labor laws, and unclaimed back wages under these acts.	
891060	Forfeiture of Unclaimed Money and Property	31 U.S.C. 3302	Unclaimed money and proceeds from the sale of abandoned or confiscated property—from veterans or military personnel, patients and residents of Federal hospitals, unexplained balances in cash accounts, and payroll allotment accounts for U.S. savings bonds.	
891099	Fines, Penalties and Forfeitures Not Otherwise		For deposit of Administrative charges and	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
	Classified		penalties.	
891347	Interest on Loans and Advances to Nuclear Waste Fund, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investments in corporations or funds that are wholly owned by the Government.	
891348	Interest on Loans and Advances to Interim Storage Fund, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investments in corporations or funds that are wholly owned by the Government.	
891349	Interest on Loans and Alternative Fuels Production, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investments in corporations or funds that are wholly owned by the Government.	
891351	Interest on Loans to Bonneville Power Administration Fund, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investments in corporations or funds that are wholly owned by the Government.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
891424	Interest on Investments Colorado River Project	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investments in corporations or funds that are wholly owned by the Government.	
891427	Interest on Advances to Colorado River Dam Fund, Boulder Canyon Project	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investments in corporations or funds that are wholly owned by the Government.	
891435	General Fund Proprietary Interest, Not Otherwise Classified	31 U.S.C. 3302	Interest penalties on debts and interest paid to the Department of the Treasury on the Government's investment in corporations or funds that are wholly owned by the Government.	
892889	Payments on Miscellaneous Recoverable Cost, Not Otherwise Classified			
893220	General Fund Proprietary Receipts, Not Otherwise Classified	31 U.S.C. 3302	Refunds on containers, State and local taxes, recoveries of court costs, Freedom of Information Act costs, etc.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
895012	License Under Federal Power Account	16 U.S.C. 810		
895013	License Benefit Charges	16 U.S.C. 803(h)		
Clearing accounts:				
89F3845	Proceeds of Sales Personal Property		Funds received from the sale of personal property disposed pursuant to the Federal Property Management Regulation.	
89F3875	Budget Clearing Account (Suspense)		Account used for unidentified funds which are required to be held in suspense because the specific account to be credited is not yet known.	
89F3878	Deposits in Transit Differences (Suspense)		This account is subject to adjustments by the Department of the Treasury for discrepanices relating to deposit tickets and/or debit vouchers that have aged 6 months or more. Balances shall be cleared to the	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			correct account as expeditiously as possible.	
89F3879	Undistributed and Letter of Credit Differences (Suspense)		Amounts held in suspense until determination is made to the correct account.	
89F3880	Unavailable Check Cancel-lation and Overpayments (Suspense)		Account used to hold checks cancelled and overpayments until they are properly placed.	

Attachment 13-6

Notification of Waiver of Normal Advance Payment Requirements for an Individual Customer or Project

DOE Organization/Site Office: _____

Site/Facility Operating Contractor: _____

Customer Name: _____

Reimbursable Agreement/ CRADA Number	Total Value of Reimbursable Agreement/ CRADA	Approved Number of Advance Days	Advance Collected	*Prepayment Amount for First Billing Cycle	Estimated Closeout Costs Collected (If required)
	$		$	$	$

Please provide an attachment explaining the justification for this exemption from normal advance payment requirements that includes the following:

- A description of how the advance amount was calculated for this customer
- A description of the site/operating contractor's billing process for this customer
- A description of site/facility operating contractor's procedures to ensure that work on this project will be terminated before the advance funding is exhausted

_____

Field Chief Financial Officer Date

_____

Site Contracting Officer Date

*Prepayment Amount – funds needed to cover costs incurred for the first billing cycle. This includes costs from the inception of the project up to the time the first bill is prepared.

Attachment 13-7

Site & Facility Management Contractor

Notification of Blanket Waiver of Normal Advance Payment Requirements

DOE Organization/Site Office: _____

Site/Facility Operating Contractor: _____

Please provide an attachment that incorporates the following elements:

- The estimated number of projects to be included within the blanket waiver per year
- The estimated total dollar value of the projects included within the blanket waiver
- Available electronic records of reimbursable and CRADA agreements executed over the past year, including the value and advance amount collected for each agreement, if available.
- A listing of the agreement type(s) (e.g. Reimbursable agreements, CRADAs, or both) included within the waiver
- A description of any exclusions from the waiver
- A description of the approved advance payment procedures to be utilized for non-federal work performed by the site/operating contractor, including a description of the manner in which the advance payment is calculated
- A description of the site/operating contractor's billing process; please include a description of both the timeline associated with the site/operating contractor's billing cycle
- A description of the contractor's procedures to ensure that work on individual projects within the waiver will be terminated before that project's advance funding is exhausted

_____

Field Chief Financial Officer Date

_____

Site Contracting Officer Date

_____

Field/Operating Contractor CFO Date

CHAPTER 14
GRANTS, COOPERATIVE AGREEMENTS, AND TECHNOLOGY INVESTMENT AGREEMENTS

1. INTRODUCTION. Grants, cooperative agreements, and technology investment agreements are financial assistance instruments, rather than acquisition instruments, used by the Department of Energy (DOE) to transfer money or property to a recipient to accomplish a public purpose authorized by Federal statute.

a. Purpose. This chapter prescribes policies and general procedures for the accounting and financial management of grants, cooperative agreements and technology investment agreements administered by DOE.

b. Applicability. This chapter applies to all Departmental elements, including the National Nuclear Security Administration (NNSA). It does not apply to site/facility management contractors and other major contractors.

c. Policy. It is the policy of DOE to account for and administer financial assistance instruments in accordance with applicable statutory authority, Office of Management and Budget (OMB) and Department of the Treasury (Treasury) guidelines, and DOE policies and procedures governing such agreements.

d. Definitions

(1) Grant – is federal assistance, in the form of money or property, authorized by federal law to support programs with a public purpose that the government wishes to encourage.

(2) Cooperative Agreement – is federal assistance similar to a grant as provided above. However, the primary distinguishing feature between a grant and a cooperative agreement is that, under a cooperative agreement, there is substantial involvement between the Department and the recipient during the performance of the funded activity.

(3) Technology Investment Agreement - is a special type of assistance instrument used to increase the involvement of commercial firms in the Department's Research Development and Demonstrations programs. A technology investment agreement may be either a type of cooperative agreement or a type of assistance transaction other than a cooperative agreement, depending on the intellectual property provisions. A technology investment agreement may be either expenditure based or fixed support.

(4) Revolving Loan Fund - is a pool of funds ((derived from financial assistance award(s)) managed by a financial recipient or a third-party administrator. The financial recipient may loan funds from the pool to other entities in support of Federal assistance program goals. Investment income is earned on the funds that remain in the pool and

on loans made from pool funds. As funds are repaid, they are then re-lent to other borrowers allowing the fund to "revolve."

(5) Loan Loss Reserves –are used to provide partial risk coverage of third party loans

2. ACCOUNTING PROCEDURES.

a. Recording of Obligations. The contracting officer (CO) must have certified funds that have been made available through the Strategic Integrated Procurement Enterprise System (STRIPES) before executing the award document. Contracting Officers (CO) must ensure proper certification of funds by the Allottee Budget organization prior to awarding the contract. This could be accomplished by ensuring the appropriate Allottee Budget Approver is identified in the route history of the Purchase Requisition that is being awarded. The accounting string information in STRIPES must contain the proper appropriation and accounting classification data prior to obligating the award through the STARS interface. See Chapter 5, "Accounting for Obligations," for further guidance on obligations.

b. Deobligations. A reduction or withdrawal of funds from a grant, cooperative agreement or a technology investment agreement is processed either (1) by the CO through the STRIPES System; or (2) by the CFO Officer or equivalent after receiving an amended Notification of Financial Assistance Award (NFAA), signed by the authorized CO and financial recipient. CO's processing de-obligations through STRIPES are responsible for (1) ensuring that the recipient has signed the amended STRIPES award document; (2) receiving proper certification of funds withdrawal via a certified requisition from the appropriate allottee budget organization; (3) uploading the signed award document into STRIPES; and (4) approving the de-obligation action in STRIPES for processing through the STARS interface. The CFO Officer or equivalent shall monitor the STARS/STRIPES de-obligation activity to ensure that the STRIPES award document was bi-laterally executed.

An exception to this requirement shall occur when no funds have been drawn/paid to the recipient and the recipient has not accepted (signed) a grant NFAA or STRIPES award document. In this case, the CO issues a revision action to the NFAA or STRIPES, which deobligates the award after providing the recipient with at least two weeks written notice of DOE's intention to deobligate.

c. Payments.

(1) Timing of Payments. Payment shall be made to the recipient either before the recipient makes cash outlays (advance drawdown) or after the recipient has incurred costs (reimbursement). The CO will determine the payment terms prior to the award and include them and other conditions in the award. As prescribed in DOE's Guide to Financial Assistance (Paragraph 1.2.3) and 48 CFR 932.4, the CO must consult and coordinate with the field CFO or equivalent in carrying out this activity.

(a) Advance Drawdowns. Payments to the recipient may be made in advance of performance. Cash balances maintained at the recipient level are to be kept to the minimum amount necessary to meet immediate recipient disbursement needs, thus recipients should minimize the time elapsed between the transfer of funds from Treasury and the disbursement of the funds by the recipient. In order for recipients to draw down funds in advance from Treasury, the recipient must have a financial management system that meets the requirements set forth in title 10, sections 600.121(b), 600.220(b), and 600.311 of the Code of Federal Regulations (10 CFR 600.121(b), 600.220(b), 600.311). The recipient's financial management system must include procedures for minimizing the elapsed time between the transfer of funds from Treasury and their disbursement by the recipient. Additional information regarding advance payments can be found under 10 CFR 600.122, 600.221, 600.312 and 603.805.

(1) Refunds to DOE – In accordance with the Treasury Financial Manual (I TFM 6-2075.30), federal funds, erroneously drawn in excess of immediate disbursement needs, should be promptly refunded to DOE and redrawn at a later date as needed. The only exceptions to the requirement for prompt refunding are: (1) when the funds involved will be disbursed by the recipient organization within seven calendar days; or (2) are less than $10,000 and will be disbursed within 30 calendar days. These exceptions to the requirement for prompt refunding should not be interpreted as approval by Treasury or DOE for a recipient organization to maintain excessive funds; they are applicable only to excessive amounts of funds erroneously drawn.

(2) Grants, Cooperative Agreements, Technology Investment Agreements with Institutions of Higher Education, Hospitals, Other Non-profit, and Commercial Organizations – Field CFOs or equivalents shall ensure that recipients maintain advance drawdown of Federal funds in insured, interest bearing accounts. In accordance with 10 CFR 600.122(k), recipients shall maintain advance drawdown of Federal funds in interest bearing accounts, unless a, b, or c applies.

a. The recipient receives less than $120,000 in Federal awards per year;

b. The best reasonably available interest bearing account would not be expected to earn interest in excess of $250 per year on Federal cash balances ($1,000 for technology investment agreements in accordance with 10 CFR 603.820); or

c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(3) Revolving Loan Funds (RLF), Loan Loss Reserve Funds, and Interest rate buy-downs and third party loan insurance[1] – In accordance with DOE General Counsel interpretation, the CFO (31 CFR 205.25, 31 CFR 205.15, 10 CFR 420.18(d)), permits funds to be drawdown at the time of obligation.

RLF are considered obligated by the recipient in any of the following circumstances:

a. Receipt of a loan application from potential borrowers;

b. State or local requirements (regulatory, statutory, or constitutional) dictate that

[1] See EECBG Program Notice 09-002C and SEP Program Notice 10-008C for further information on revolving and loan loss reserve funds and interest rate buy downs and third party insurance.

funds be available in advance;[2]

c. The distribution account is operated by a third party; and[2]

d. If a grantee establishes and operates an RLF, funds would be considered obligated by the grantee upon submitting a letter to the project officer and receiving a confirmation response from the project officer. The letter must: (1) provide the strategy for the RLF; and (2) identify the scope of the loan program.

Loan Loss Reserve Funds are considered obligated by the recipient when they are committed as a credit enhancement to support a loan portfolio of qualifying loans under the following circumstances:

a. For loan loss reserves supporting a funded program operated by the grantee, loan loss reserves are considered obligated by sending a letter to the Project Officer indicating the establishment of the loan loss reserve.

b. For loan loss reserves supporting third party loans, loan reserve funds are considered obligated when the grantee enters a signed agreement with the third party.

Interest rate buy-downs and third party insurance are considered obligated by the recipient when they have been committed to support a loan or loan program in any of the following circumstances:

a. Receipt of a loan application from potential borrowers;[3]

b. Where state or local requirements (regulatory, statutory, or constitutional)

[2] If a grantee requires a drawdown under these two circumstances, the grantee is to document the relevant requirements and provide that documentation to their Project Officer.

[3] If a grantee requires a drawdown under these three circumstances, the grantee is to document the relevant requirements and provide that documentation to their Project Officer

dictate that funds be available in advance;[3]

c. When the grantee enters into a signed agreement with the third party to support an ongoing loan program with interest rate buy-downs or third party-loan insurance;[3] and

d. The distribution account is operated by a third party and the grantee enters an agreement with the third party.

(b) Reimbursement. Reimbursement is payment to a recipient, upon the recipient's request, of actual costs incurred in performing activities under a financial assistance award. In accordance with 10 CFR 600.122(e) and 600.221(d), for higher educational institutions, hospitals, non-profit organizations, and state and local governments, reimbursement shall be the payment method when the recipient does not meet the requirements for an advance payment as described in paragraph 2c(1)(a) above. For for-profit recipients, reimbursement is the preferred payment method in accordance with 10 CFR 600.312(b). Recipients shall submit requests for reimbursement monthly, unless the award authorizes more frequent payment or, in the case of technology investment agreements, arrangements have been agreed upon for a milestone payment schedule (in accordance with 10 CFR 603.810).

(c) Working Capital Advance Basis. If the CO determines reimbursement is not feasible, because the recipient lacks sufficient working capital, DOE may provide funds on a working capital advance basis in accordance with 10 CFR 600.122(f); 10 CFR 600.221(e); and I TFM 6-2070.20. In this instance, the CO authorizes cash advances to the recipient to cover estimated disbursement needs for an initial period of time, generally aligned with the recipient's disbursement cycle. The period of time is to be decided by the CO. However, this period should not normally exceed 30 days. Thereafter, payments are made to the recipient organization for the amount of its actual cash disbursements.

[3] If a grantee requires a drawdown under these three circumstances, the grantee is to document the relevant requirements and provide that documentation to their Project Officer

(2) **Disbursement.** Treasury's Automated Standard Application of Payments (ASAP) system must be used for all agreements that provide for advance funding. However, the Department permitted certain American Recovery and Reinvestment Act (ARRA) of 2009 agreements to be paid via Treasury's Electronic Funds Transfer System (EFT) in order to segregate awards with no year funding vs. those with time limited funding. Agreements that provide for cost reimbursement may be paid either by ASAP or by the EFT . The cognizant field CFO or equivalent shall be responsible for providing the recipient with the necessary instructions for requesting payment. (Additional procedures for disbursement are in Chapter 6, "Cash," and Chapter 7, "Advances, Prepaid Expenses, and Other Assets," as well as the Treasury Financial Manual (I TFM 4-2000)).

(3) **Payments to Financial Assistance Recipients.** Payments are not subject to requirements of the Prompt Payment Act or to interest penalty provisions. However, in accordance with 10 CFR 600.122(e) and 600.312(e), the field CFO or equivalent must make payments within 30 days of receipt of a valid request for reimbursement.

(4) **Withheld Payments.** The field CFO or equivalent shall not withhold payments from grantees for proper charges, except when:

(a) A recipient has failed to comply with the project objectives, the terms and conditions of the award, or DOE reporting requirements; or

(b) The grantee or sub-grantee is delinquent on debt owed to the United States. Further details for withholding payments are cited in 10 CFR 600.122(h), 600.221(g), 600.243(a), 600.312(g), and 603.815. In the event a payment is to be withheld, the CO shall provide advance written notice to the grantee in accordance with these provisions.

d. **Cash Management.** The field CFO or equivalent shall manage and monitor advances to ensure recipient compliance with the requirement that cash balances maintained at the recipient level are kept to the minimum amount necessary to meet immediate recipient disbursement needs. Rules are provided under paragraph 2c(1)(a) above. (Additional cash management guidance is described in Chapter 6, "Cash," Chapter 7, "Advances, Prepaid Expenses, and Other Assets," and I TFM 6-2000 and 6-8000.)

(1) The field CFO or equivalent shall use financial reports required by the terms and conditions of the award to monitor the cash position of a recipient of a financial assistance award. These documents may include reports provided for under Federal Reporting.gov, Standard

Form (SF) 425, Federal Financial Report; SF-425A, Federal Financial Report Attachment ; SF-270, Request for Advance or Reimbursement; SF-271, Outlay Report and Request for Reimbursement for Construction Programs; and any other report of a recipient's financial activity that may be required for effective cash management. Award recipients may submit grant performance and financial information utilizing DOE's Performance and Accountability for Grants in Energy (PAGE) System.

(2) Upon termination or completion of the award and after cognizant CO notification, the field CFO or equivalent shall take prompt action to recover any unencumbered cash balances advanced to the recipient.

e. **Program Income.** As defined in 10 CFR 600.101, program income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.

(1) Program income may include: income from fees for services performed; the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. In many instances, grant recipients are entitled to retain income to defray program costs. DOE's CFRs provide separate rules governing the use of program income as follows:

(a) For Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, Other Non-Profit, and Commercial Organizations, see 10 CFR 600.124 and 10 CFR 600.130-137 for property;

(b) For Grants and Cooperative Agreements with State and Local Governments, see 10 CFR 600.225 and 10 CFR 600.231 and 10 CFR 600.232 for property;

(c) For Grants and Cooperative Agreements with For-Profit Organizations, see 10 CFR 600.314 and 10 CFR 600.320-325 for property; and

(d) For Technology Investment Agreements, see 10 CFR. 603.835.

(2) Generally, interest earned on advances of Federal funds is not considered program income. Recipients shall remit to DOE any interest or other investment income earned on advances of DOE funds as required by the Cash Management Improvement Act of 1990, I

TFM 6-2075.30a and 2075.30b, and OMB Circular A-110, "Uniform Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations." However, the following grant recipient organizations are allowed to retain a portion of interest for administrative expenses as follows:

(a) State and Local Governments – up to $100 in interest per year (in accordance with 10 CFR 600.221); and

(b) Institutions of Higher Education, Hospitals, Other Non-Profit Organizations up to $250 per year (in accordance with 10 CFR 600.122).

(c) Grant Recipients for Revolving Loan Funds – Per General Counsel interpretation of 10 CFR 205.25, all interest earned on funds which have been drawn down may be used for program purposes.

(3) The field CFO or equivalent shall deposit applicable interest to Treasury Account 89 1435, "General Fund Proprietary Interest Collections, Not Otherwise Classified" in accordance with I TFM 6-2075.30b. The power marketing administrations shall deposit miscellaneous interest to the reclamation fund or the revolving funds as appropriate. In addition, interest earned on advances funded with the Nuclear Waste Fund (NWF) shall be returned to the NWF.

f. **Other Receipts/Refunds.** The recipient must remit excess funds to the field CFO or equivalent where the funds are accounted for as refunds and deposited in the same appropriation account as the previously recorded disbursement. Detailed guidance for determining availability of fund balances is in Chapter 3, "Accounting for Appropriations and Other Funds." The field CFO or equivalent shall notify the contracting officer upon collection and deposit of any funds returned to DOE. Refunds received for active awards are credited back to the award. Refunds received for closed awards are credited back to the appropriation from which the payment was made. However, if the appropriation account is closed, refunds are treated as miscellaneous receipts and deposited to Treasury Account 89 1435, "General Fund Proprietary Interest Collections, Not Otherwise Classified" in accordance with 31 USC 1552(b). The Field CFO or Equivalent should consult with their Budget Office to determine the proper disposition of the refund(s) so that prior year recoveries in current, expired, and closed appropriations are appropriately handled.

For recipients receiving funds using the ASAP system, refunds should be made using the ASAP return payment process. For recipients receiving funds using EFT, refunds should be returned using the EFT refund process. Checks

should not be used to make refunds to DOE.

g. Adjustments. DOE may adjust the amount of an award and associated cost share, if any, during the term of the award in accordance with the terms of the award instrument. In addition, when authorized by the award instrument, general program income may be used to meet the cost sharing requirement of the grant agreement; however, the amount of the Federal grant award remains the same. Any requirements governing the disposition of program income earned after the end of the award period must be explicit in the terms of the agreement.

h. Financial Reporting.

(1) Accurately reporting cost for grants, cooperative agreements, and technology investment agreements imposes several challenges to the Department and award recipients. To provide some guidance to Federal agencies such as DOE, the Federal Accounting Standards Advisory Board (FASAB) issued on August 4, 2010, "Federal Financial Accounting Technical Release 12, Accrual Estimates for Grants." Through this technical release, (FASAB) provides broad guidance regarding: (1) developing accrual estimates for existing and new grant programs; (2) determining materiality considerations; (3) internal controls associated with developing grant estimates; (4) processes for monitoring and validating grant accruals; and (5) training and monitoring grantees. Offices are encouraged to review this technical release and provide recommendations to the Office of Financial Control and Reporting to improve the Department's overall accrual process. The following below provides procedures and processes that need to be taken by financial recipients and Departmental personnel in order to meet various financial reporting requirements:

(2) The recipient's financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each DOE-sponsored project or program in accordance with financial reporting requirements of the grant, the cooperative agreement, or the technology investment agreement. The financial reports submitted to the Department shall include those described in 10 CFR 600, subparts B,C, and D, 10 CFR 603.880 and to those required by OMB, and DOE in fulfilling its cash management responsibilities in accordance with Treasury regulations.

Reports submitted to DOE may include but are not limited to ones required under OMB Circular A-133, the SF-425 (Federal Financial Report), SF-425A (Federal Financial Report Attachment), SF-270 (Request for Advance or Reimbursement), and SF-271 (Outlay Report

and Request for Reimbursement for Construction Programs). Annual reports for the SF 425 (Federal Financial Report) are required to be submitted no more than 90 days after the end of each reporting period.

In addition, recipients provided awards through ARRA of 2009 are also required to provide separate reports as provided by OMB Circular M-09-21, "Implementing Guidance for Reports on Use of Funds Pursuant to the ARRA of 2009." The Department provides detailed guidance on Recovery Act reporting at:
http://www.energy.gov/recovery/ARRA_Reporting_Requirements.htm

(3) By law, financial reporting requirements placed upon financial assistance recipients are limited to minimize administrative reporting burdens. Generally, reporting shall be no more frequently than quarterly and no less frequently than annually. The procurement office, program office, and field CFO or equivalent shall jointly determine the type and frequency of reporting that best serve DOE's financial interest and objectives in making the award.

(4) The field CFO or equivalent shall review reports for completeness, accuracy, and compliance with the terms and conditions of the award. With reports required by ARRA of 2009, the Department requires field Offices to conduct quality assurance reviews of the data provided by award recipients. Detailed instructions on the quality assurance review are provided on the "Recovery Guidance" iPortal Workspace. The CO should follow up with the recipient regarding reports not received or not received in a timely manner, or inadequate or incorrect reports to identify and resolve any problems.

(5) All financial assistance awards are subject to the same accrual procedures as other procurement awards. Field CFOs or equivalent should record cost accruals for grants, cooperative agreements, and technology investments as follows:

(a) Grants, cooperative agreements, and technology investment agreements that use ASAP for payment are automatically recorded as costs as they are paid. Because ASAP payments may not reflect actual costs incurred for some awards, offices should provide supplementary cost information to the Energy Finance and Accounting Service Center (EFASC) or to respective accounting offices to adjust costs as necessary.

(b) Grants, cooperative agreements, and technology investment agreements not using the ASAP for payment – field CFOs or equivalents must provide costing information to the EFASC or to respective accounting offices so they can record the costs.

Field CFOs or equivalents must reconcile costs recorded in the financial system with costs and cash balances on hand reported by recipients through the end of the year for grants, cooperative agreements, or technology investment agreements. These adjustments or 'true-ups' should be made using the most recent cost information (e.g. SF-425, SF-425A, reports submitted through FederalReporting.gov, and or other cost reporting) submitted by the grantee to properly reflect actual costs. Due to the financial statements reporting requirements and the timing of grantee cost reporting, these adjustments must be made prior to year-end with costs estimated through year-end. Offices should maintain documentation for these year-end adjustments for audit purposes. Since the records can be considered "Expenditure Accounting Posting and Control" files, under National Archives Record Administration – General records Schedule 7; it is advisable that offices retain this documentation for a period of *three years* from the end of the Fiscal Year in which they were created. After three years, they may be destroyed. Additional information on accruals can be found in Chapter 11, "Liabilities," paragraph 2b.

True-ups as provided above are different than monthly accruals. Monthly accruals are manually accomplished or are automatically generated in STARS. Details of the Department's automated accrual processes are provided for in the Department's Cost Accrual Guide on the Financial Statement iPortal Workspace.

3. COST PRINCIPLES AND ALLOWABLE COSTS.

a. Review of Allowable Costs. Unless specified by statute, program rule, or other terms and conditions of the award, the CO shall determine allowable costs in accordance with cost principles cited in the following:

(1) 2 CFR 220 "OMB Circular A-21, Cost Principles for Educational Institutions;"

(2) 2 CFR 225 "OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments;"

(3) 2 CFR 230 "OMB Circular A-122, Cost Principles for Non-Profit Organizations;"

(4) OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;"

(5) 45 CFR 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals;" and

(6) 48 CFR 931.2, "DOE Acquisition Regulations Covering Contracts with Commercial Organizations."

b. **Cost Sharing.** *Cost Sharing* or *matching* means the value of the third party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the Federal Government. Cost sharing, whether cash or in-kind, must meet the same tests of allowability as applied to DOE funds. Cost sharing requirements are detailed in 10 CFR 600.30, 600.123, 600.224, 600.225(g)(3), and 600.313.

4. MISCELLANEOUS ACCOUNTING.

a. **Property Accounting.** Property acquired under a financial assistance award or property furnished by DOE to a recipient is subject to standards in 10 CFR 600.130-137, 600.231-233, 600.320-325, and 603.680-695. The field CFO or equivalent shall account for Government-owned property held by assistance recipients in DOE accounts in the same manner as for Government-owned property held by contractors (see Chapter 10, "Property, Plant, and Equipment"). 10 CFR 600.133, 600.232(f), 600.322 and 603.690 provide reporting requirements for recipients possessing government owned property.

b. **Closeout.** The Department shall notify recipients in writing before the end of the grant period of final reports that shall be due, the due dates, and where they must be submitted. Copies of required forms and instructions shall also be included with the notification. Within 90 days after expiration or termination of the award, the recipient shall submit all performance and financial reports required as a condition of the award. The CO may grant an extension at the recipient's request. Detailed closeout procedures can be found in Chapter 21, "Financial Closeout," and 10 CFR 600.171, 600.250, and 600.361.

Awards that were funded by ARRA of 2009 will need to be fully paid and costed prior to the expiration of the funds, as determined by the appropriation; most ARRA funds are no longer available for costing after September 30, 2015. After the expiration of the funds they cease to be available for any purpose whatsoever and any remaining funds must be returned to the Department of Treasury.

When Financial Assistance Awards (FAA) go into close-out, steps should be taken to ensure they are no longer accrued through an automated process considering most of the work has been completed and it is further assumed

that a final invoice has been submitted. Any additional accruals required to adjust the final invoice on FAAs in close-out should be done manually. This requirement applies to new FAA's that go into close-out after the effective date of this chapter. However, offices are encouraged to take similar actions on FAA's already in close-out in order to minimize the impact of the Department's financial statements."

Revolving Loan Funds – whether a revolving loan fund is administered by a grantee or a third party, if the revolving loan fund does not loan out funds for eligible activities under the program, the Department may take an enforcement action against the grantee for noncompliance of the terms of the award agreement and disallow all or part of the cost of the activity or action not in compliance or other allowable remedies against the grantee as stipulated under 10 CFR 600.243.

CHAPTER 15

COST ACCOUNTING

1. INTRODUCTION

a. Purpose. This chapter presents the policy to be followed by the Department of Energy (DOE) and its site/facility management contractors (contractors) in developing and operating a product or standard cost accounting system for: (1) the procurement and production of nuclear material, weapons components and any other products manufactured/assembled by the Department; (2) stockpiled weapons, weapons components, and intermediate weapons products; and
(3) weapons components delivered to the Department of Defense (DOD). Excluded from the production cost accounting system are any of the above mentioned materials withdrawn from the production chain for use in research, process development, pilot plant operations and weapons design, development and test activities, and the dismantlement/disassembly of weapons, weapon components, and weapon systems. This chapter prescribes the procedures for transferring accumulated costs of materials and weapons components to field offices and contractors receiving materials for further processing and assembly, and for transferring any nuclear material in other inventories. The chapter also addresses other cost accounting topics with applicability to DOE entities.

b. Background. DOE's cost accounting practices were promulgated in the DOE Accounting Practices and Procedures Handbook (APPH), dated October 1979, Chapter X, Product Cost Accounting. That chapter was last revised in December 1983. In the interim, DOE production facilities have been working with the Cost Accounting Standards (CAS), the APPH Chapter X, and locally developed supplements. The Department's decision to resume tritium production requires formal guidance on cost accounting, and the introduction of this chapter.

c. Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview", Note that the applicability of this chapter pertains almost exclusively to costs incurred by site/facility management contractors, with little applicability to costs incurred within Departmental elements. Those costs are addressed in the paragraph concerning Managerial Cost Accounting.

2. ELEMENTS OF PRODUCT COST. The costs listed below are elements of finished products and/or components.

a. Direct Material. The cost of all materials and stores received in a production area for fabrication or assembly into final products or components. This includes raw materials, including nuclear materials and their transportation costs and other
costs incurred in moving the materials to the production facility, feed materials transferred to a production process, process materials, and any other materials or

stores received in a production area for fabrication or assembly into a final product or component.

b. **Direct Labor.** The cost of labor employed in the operation of a production process, or in the fabrication or assembly of weapons, weapon components or other products. For labor cost to be classified as direct, it must be possible to measure the cost applicable to each unit of product or job.

c. **Other Direct Costs.** Elements of cost such as travel directly related to the product, specialized training, subcontract costs, and service charges such as utilities if directly metered.

d. **Indirect Costs.** The cost of all production support and superintendence, including depreciation applicable to a production process or facility. A proper allocation of the contractor's indirect costs typically allocated to all cost objectives at a particular site, such as General and Administrative (G&A) expenses, should be included in the product cost. DOE costs, if they are directly identifiable with and chargeable to production (such as warehousing and inspection costs, or increased security costs specifically identified with weapons production) should be included.

e. **Other Costs.** Certain costs may be categorized as either direct or as indirect costs depending upon the specific circumstances. An example would be special tooling, the cost for tooling to fabricate or assemble unique weapons or weapons components. If specific to one component or weapons system then the cost should be treated as direct, but if fabricated for a production process including multiple weapons systems or components, the cost should be treated as an indirect cost with appropriate allocations.

f. **Life Extension Program.** The Stockpile Life Extension Program consists of activities which enable the nuclear weapons complex to extend the operational lives of the weapons in the stockpile well beyond their original design lives. Phase 6.X (the weapon's acquisition life-cycle process which encompasses the refurbishment of existing weapon systems) cost associated with the First Delivery Unit (FDU) should be capitalized into the value of the specific weapons systems refurbishment, specifically the costs incurred in Phase 6.4 (Production Engineering) that support the purchase, procurement and fabrication of the physical infrastructure for the FDU through Phase 6.5 (First Production).

3. EXCLUSIONS FROM PRODUCT COST

a. **Research and Development.** 'The cost of basic Research and Development (R&D) activities performed under the operating activities of DOE, and the cost of engineering and design of weapons components and production processes for weapons and components. It includes preproduction, pilot production, and process/product engineering costs. The R&D process ends with the first

production unit (prototype), and production begins with the first delivery unit. For that reason, first delivery unit costs are included in product cost.

b. **Standby Costs.** The costs incurred in conditioning production facilities for placement in standby status and maintaining these facilities in a shutdown mode for possible future use. Costs include such items as guard force activities, fire protection, electricity, heating and general maintenance as well as a proper share of the contractor's G&A expenses. Standby costs are distinct from excess capacity costs where production is occurring but at a capacity less than normal or other level of capacity.

c. **Excess Capacity Costs.** All costs that can be identified to the maintenance of an excess capacity at the production facility should be excluded from the product cost. This includes a situation where the deliberate sizing of the production facility is based upon projected levels of production over the short term in addition to the maintenance of capability for increased production should the need arise in the short or long terms. The costs incurred as a result of such deliberate plant/production facility sizing are costs that are more appropriately accounted for as period costs rather than production costs. The National Nuclear Security Administration (NNSA) has identified such costs and developed a program, Readiness in Technical Base and Facilities (RTBF), to better manage these facility operations costs where such non-production costs can be budgeted, managed, and reported. Effective in FY 2001, the department began recognizing RTBF as a final cost objective or responsibility segment (See Paragraph 9.b.). Additionally, costs incurred that can be attributed to the existence of plant capacity, inherent to the original construction of the facility, that is excess to the current production requirements should also be excluded from the product costs. Whatever the reason for the existence of the excess capacity, the costs attributed to it should be supported by either historical cost data from a period of operation at what could be considered full or normal capacity or an engineering determination of practical capacity. Excess capacity costs (RTBF and other excess capacity costs) should be treated as period costs and should not be included in the cost of the product.

d. **DOE Costs.** The cost of DOE program management and support, such as program direction, landlord costs, and Departmental Administration, should normally be excluded from product cost. The cost associated with DOE personnel should be included only if it can be specifically identified with the product or production process.

e. **Startup Costs.** All costs associated with operational testing, training of operating staffs, and similar expenses involved in preparations for production operations of new facilities or reactivated standby facilities.

f. **Transportation and Security Shipment Costs Applicable to Stockpile Transactions.** Costs of transporting weapons parts, components and

assemblies to and from stockpile, such as freight charges, salaries, and travel expenses of guards, etc., are excluded from product costs and are charged to the appropriate DOE program. The cost of preparing completed items for shipment to stockpile by a contractor is charged to product cost.

g. **Costs Incurred Through Conversion of Weapons.** The costs of maintenance, modifications, repairs, retrofit and other support of nuclear weapons stockpile that are not part of the Life Extension Program are excluded from product cost and charged to the applicable stockpile maintenance activities.

h. **Inventory Adjustments and Revaluations.** Inventory adjustments or revaluations not of a recurring nature which have been specifically authorized by the DOE CFO are excluded from product costs.

i. **Conversion of Waste Materials to Weapons Use.** This includes costs associated with the processing, conversion, segregation, and filtering of waste materials and the packaging, transportation, decontamination, and storage costs related to waste management recycling activities.

4. **TRANSFER PRICES.** Inventory/work-in-process moved within the production process as part of a production schedule is to be transferred at a value that includes all costs incurred to date in the process, direct costs and indirect costs allocated to the product/component, including any capitalized costs. This transfer price, in addition to being the carrying value for the DOE inventory, will be picked up as the value of the direct material at the next DOE site in the production process. That site within the process will apply additional direct material, direct labor and indirect allocations to the cost of the product or component. This process will occur within each step in the production complex. Nuclear materials will be transferred at standard transfer value costs set by the Office of Financial Policy, DOE Headquarters.

5. **PRICING.** The contents of this chapter are intended to provide guidance in calculating the cost of DOE products. Product cost is only one element of the price charged to outside entities. The general requirement for pricing of goods and services sold by DOE to outside entities is for full cost recovery and is governed by DOE Order 522.1, Pricing of Departmental Materials and Services.

6. **STANDARD COSTING.** For those production facilities that use standard costing, establishing the standard cost factors requires the development by the contractor of engineered standards in terms of material, labor, and predetermined overhead for all sub-parts, sub-assemblies, and assemblies. Details for the development of engineered standards are site specific and therefore are not prescribed in this handbook. The standard cost should include the normal amount of material at its inventory valuation (purchased material or the standard of the items in production), the required labor time and anticipated wage rates for each different operation, and a prorated amount of overhead/indirect costs. Standard cost variances will normally remain in production inventory through the fiscal year, but should be charged to cost of operations at fiscal

year end. An analysis of standard cost variances should be performed and used in establishing standard costs for the subsequent year. Standard costs should normally be adjusted only at the beginning of the fiscal year; however, contractors may adjust the standards on a more frequent basis depending on the changes being made and the materiality of the changes.

7. **CONSTRUCTION.** Capital construction projects should be treated as other final cost objectives for purposes of cost allocation as delineated in Chapter 10, Paragraph 1. f.(a)(e) of the Accounting Handbook. Allocation rates should be the same for operating and construction projects unless there are cost centers/costs that are material and do not have a causal/beneficial relationship to construction projects. When construction is performed by DOE (in-house), DOE G&A will not be included in the capitalized cost.

8. **OTHER COST ACCOUNTING CONCEPTS/PRINCIPLES.** There are several other cost accounting concepts and/or principles with applicability to DOE.

   a. **Functional Cost.** The Department's Support Cost by Functional Activity (SCFA) tracks the support related costs incurred by the DOE's largest site/facility management contractors. The Department has developed consistent functions for approximately 20 specific cost categories such as "facility management," "site maintenance," and "human resources" that contractors use in reporting their support related costs. These specific categories fall into three broad categories: "general support," "mission support," and "site specific support." These costs are summarized in the annual SCFA Report.

   b. **ActivityBased Costing (ABC).** Activity Based Costing is a method for developing cost estimates using cost accounting principles. A project is subdivided into discrete, quantifiable activities or work units. After the project is broken into its activities, a cost estimate is prepared for each activity. A detailed explanation of ABC can be found in Chapter 24 of DOE Guide 430.1-1.

   c. **Cost Accounting Standards.** The CAS were established to ensure that the accounting practices of contractors performing work on both commercial and Government contracts were consistently applied and that costs were equitably allocated. The CAS has been recodified by the Cost Accounting Standards Board and is contained in 48 Code of Federal Regulations, Chapter 99. The Department's site/facility management contracts are generally subject to CAS, although specific situations may exist with certain contracts which render portions of the CAS inapplicable. Contractors should maintain a costing methodology that allocates cost in accordance with contractually-required and DOE approved, Cost Accounting Standards Disclosure Statements.

9. MANAGERIAL COST ACCOUNTING

a. Background. In June 1995, the Office of Management and Budget (OMB) issued Statements of Federal Financial Accounting Standards (SFFAS) Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government. The intent of SFFAS Number 4 was to provide reliable and timely information on the full cost of Federal programs, their activities and outputs, and to require the reporting of this information in annual financial statements. The Standard was initially scheduled to become effective October 1, 1996, for Fiscal Year (FY) 1997 financial statements. OMB later deferred mandatory implementation of the standard until FY 1998. Because the Department was well into the implementation process at the time of the OMB deferral, the FY 1997 financial statements were compiled in accordance with the standards. The Department's annual financial statements have been compiled in accordance with SFFAS Number 4 each year since FY 1997.

b. General Goals/Program Goals. Working with the program offices, the Office of the Chief Financial Officer (CFO) developed a series of responsibility segments for the Department's financial statements. These responsibility segments (the terminology used in SFFAS Number 4) represented the Departmental components responsible for carrying out a mission, conducting a major line of activity, or producing products and services. In cost accounting terminology, the responsibility segments would be identified as final cost objectives. However, not all responsibility segments were final cost objectives. Responsibility segments were also developed for those costs that are ultimately allocated to other responsibility segments. This includes such indirect costs as program direction, landlord activities, departmental administration, etc. The net costs for each final cost objective responsibility segment were reported in the Notes to the Financial Statements section of the annual Accountability Report. In FY 2003, the Department began using the terms general goals and program goals in lieu of responsibility segments. In addition to the current year net costs for each goal, the prior year net costs are also reported for comparability purposes.

c. Data Input. The majority of the Department's cost data is input into the financial system by the Headquarters CFO and the contractors. The contractors input cost data against the final cost objective goals as the costs are incurred during the year. Although the costs incurred by the contractor include both direct and indirect costs, for purposes of the managerial cost accounting, contractor costs are treated as direct costs. To clarify, the contractor incurs direct costs against the DOE program on which it is performing the contractual work. It also allocates its own indirect costs at that site to the various DOE programs (final cost objectives) at the site in accordance with the CAS. These are all recorded as Direct Funded Expenses in the DOE financial system. The Headquarters CFO periodically updates the financial database with all data input since the last update. Current information and corresponding financial reports are available on-line to program

managers and field organizations the next day. Quarterly, various indirect costs are allocated to the final cost objective goals. Effective in FY 2003, responsibility for performing cost allocations was transferred from the field CFO's or equivalent to Headquarters. This change was made necessary by the accelerated time frames for completion of the financial statements. The allocations are made on the same basis as used by the field sites in previous years. The field CFO's or equivalent are responsible for informing Headquarters CFO of any changes at the site which would necessitate changes in allocation methodology.

d. Cost Allocation Methodology. Goals which do not represent final cost objectives must be fully allocated to the goals which do represent final cost objectives. This includes such cost elements as departmental administration, program direction for program offices with multiple program goals, landlord costs, security investigations, etc. These allocations are now performed by the Headquarters CFO with input from program offices and field CFOs or equivalent. To achieve a reasonable level of consistency throughout the Department, establishment and application of allocation rates, based on total program funded costs, has been the preferred methodology for allocating these indirect costs to goals, provided it results in an equitable assignment of these costs. Field CFO's or equivalent are responsible for advising the Headquarters CFO if the allocation methodology used in previous years is no longer appropriate and, if a methodology other than one based on total funded program costs is recommended, the rationale supporting it. It is imperative that the allocation methodology selected be reasonable and well documented.

e. Update Process. Goals are reviewed and updated by Headquarters CFO each year. The assignment of new programs/accounting classifications to goals is coordinated with the responsible program office. Deletion of any old accounting classification from the listing is coordinated at the same time, and the program office may also decide to recommend changes to their goals and/or accounting classification assignments. A crosswalk of the general and program goals to the accounting classification associated with their programs is maintained by the Headquarters CFO and is updated each year. Guidance memoranda are issued to the field and to Headquarters program offices as needed.

f. Post Retirement Benefits. SFFAS Number 4 requires that the full cost of goods and services received from other Government entities be included in the Department's financial statements. The retirement benefits paid by the Office of Personnel Management (OPM) are one of those costs. To assist in accounting for post retirement benefits for Federal retirees, OPM issued Financial Management Letter Number 97-08, Cost Factors for Pension and Other Retirement Benefits, on October 23, 1997. The letter included cost factors to be applied to the current pay of regular Civil Service Retirement System and Federal Employees Retirement System employees. Additional cost factors provided were an amount for each employee enrolled in the Federal Employees Health Benefits Program and a percentage of basic pay for each employee enrolled in the Federal Employees

Group Life Insurance Program. OPM provides updated cost factors quarterly and at the end of the fiscal year. Headquarters CFO calculates the imputed pension and post retirement benefits costs by applying the annual cost factors to the actual cost data maintained in the payroll system. The costs are accumulated by first tier organization and Headquarters CFO enters the imputed costs into the financial system and performs the allocations except for the Power Marketing Administrations (PMAs). Headquarters CFO provides the OPM imputed costs to the PMAs who make the necessary entry into the financial system. The allocations are almost always proportional to the allocations of program direction costs.

g. Fiscal Year-End Process. All final cost data for the expiring fiscal year, including data for the contractors, must be entered into the financial system before final allocations can be performed. After receipt of all final field September submissions, Headquarters CFO will perform the final managerial costs allocations. Guidance is issued annually by Headquarters CFO detailing end-of-year requirements, including changes in schedules.

h. Restatement of Prior Year Costs. As previously stated in paragraph 9b, the presentation of the financial statements shows both the current fiscal year costs and the prior year costs. For purposes of comparability, the prior year costs may need to be restated if there has been a significant change in the program structure. Field CFOs or equivalent should advise Headquarters if circumstances at their sites necessitate a restatement of the prior year's costs.

10. ACCOUNTING FOR COSTS OF WORK STOPPAGES

a. Requirement

All DOE management and operating contractors and other site/facility management contractors running DOE laboratories, sites, or plants are required to monitor and account for the full costs associated with work stoppages due to health, safety, security, disaster, and weather related stoppages that exceed both of the following: (1) two entire consecutive business days in duration; and (2) costs incurred estimated to exceed $100,000. This policy applies to shutdowns involving an entire site, a remote facility, or a sub-organization within a DOE laboratory site that meets this threshold.

This requirement applies unless superseded by more specific contractual requirements.

1. Tracking the cost of work stoppages supports several Departmental requirements:

   a. *Reporting.* Accurate and complete information on the cost of work stoppages allows the Department to report these costs promptly and accurately.
   b. *Allowable Cost Determinations.* Accurate information on work stoppages may inform allowable cost determinations by DOE contracting officers.

c. *Assessing Budgetary Impacts and Required Contract Funding.* Work stoppage costs are relevant to assessing the budgetary impact of interruptions or deferrals of scheduled work.
d. *Assessing Contractor Performance.* Work stoppage costs may be relevant to contractor fee determinations or other contractor performance assessments.

2. ***Composition of Full Cost***. Full cost comprises all costs associated with the following activities:

   a. Maintaining a facility or activity in a stand down mode;
   b. Shutting down facilities or activities;
   c. Restarting facilities or activities;
   d. Transitioning facilities and personnel to other approved and funded work;
   e. Cleanup, investigative, and remediation activities that are specifically associated with a work stoppage; and
   f. Non-productive labor resulting from idleness or no activity taking place as a result of the work stoppage.

Costs associated with labor or other resources that are productively reassigned to other activities do not constitute work stoppage costs.

3. ***Tracking Costs.*** All DOE management and operating contractors and other site/facility management contractors running DOE laboratories, sites, or plants shall maintain internal procedures and accounting mechanisms as required to separately record the costs associated with a work stoppage.

   a. Contractors should ensure that work stoppage costs are appropriately burdened in accordance with their approved cost accounting practices.
   b. Contractors need to ensure that their accounting systems have the ability to track costs for a work stoppage as those costs are incurred. As necessary, sites should pre-establish the activity or other accounting codes necessary to track future work stoppage costs.
   c. Prime contractors need to ensure that subcontract costs incurred as a result of a work stoppage are properly tracked.
   d. Taking action to promptly track work stoppage costs will minimize the difficulty of retroactively capturing and reporting these costs. However, when necessary to ensure complete reporting of work stoppage costs, sites need to retroactively charge costs already incurred to the appropriate work stoppage activity or accounting code.

4. ***Reporting Costs.*** Contractors are required to report the total costs incurred for each individual work stoppage to the contracting officer on a quarterly basis, or more frequently as directed by the contracting officer. Reports should contain the total costs for each identified work stoppage during the quarter. As appropriate, reporting on work stoppages can be combined with other reports regularly provided by the contractor or transmitted separately to the contracting officer. Contractors must provide any further available information on individual work stoppages at the request

of the contracting officer. If a contractor does not incur costs with work stoppages in a particular quarter, no report is required.

b. Work Stoppages for which the cost must be separately tracked

Work stoppages for which the cost must be separately tracked include those caused by the following events that result in a disruption, delay, or deferral of scheduled and approved work at DOE sites that exceeds both of the following: (1) two entire consecutive business days in duration; and (2) costs incurred estimated to exceed $100,000:

1. Work delays or disruptions that result from disasters, to include all disasters declared by the President;

2. Disruptions caused by security and accident investigations conducted in accordance with DOE Order 225.1B, “Accident Investigations;”

3. Stoppages that result from violations of DOE nuclear safety requirements as provided for in the Price Anderson Enforcement Act;

4. A shutdown or curtailment of work at a DOE facility directed by a senior Departmental management official or contracting officer involving a safety or emergency incident. These events are further described in DOE Order 232.2, “Occurrence Reporting and Processing of Operations Information;”

5. A work stoppage or shutdown as provided in the following DEAR Clauses:
   a. DEAR 970.5223-1 - "Integration of Environmental Safety and Health into Work Planning and Execution;" and
   b. DEAR 952.223.72 – “Radiation Protection and Nuclear Criticality;” and

6. Temporary site closures due to inclement weather.

Routine maintenance, safety pauses, timeouts, or training sessions to maintain worker safety awareness do not constitute work stoppages that require the separate tracking of cost information. Contractors should consult with their contracting officer if it is not clear whether an event constitutes a work stoppage according to the provisions of this policy.

This policy does not address stop work orders, delays resulting from a lack of funding, project management issues, or other delays, or disruptions that are not the result of the health, safety, security, disaster, or weather-related events described in this policy. Contractors should consult with their contracting officer for direction on how to address such situations.

CHAPTER 16

PAYROLL ACCOUNTING

1. INTRODUCTION.

a. Purpose. This chapter outlines the principles, responsibilities, operating procedures, and other general information for preparing payrolls and maintaining pay and leave records for civilian employees of the Department of Energy (DOE).

b. Applicability. This chapter applies to all Departmental elements that have payroll services furnished by the Department of Defense's Defense Finance and Accounting Service (DFAS). This chapter does not apply to DOE's contractors.

c. Background. Consolidation of payroll operations was effected by the Office of Personnel Management's (OPM) selection of four providers to furnish payroll services for the Executive Branch of government. DOE was successfully migrated to DFAS under the E-Payroll Initiative. The E-Payroll Initiative was established to standardize and consolidate Government-wide Federal civilian payroll services and processes by simplifying and standardizing HR/payroll policies and procedures and better integrating payroll, human resources, and finance functions.

d. Responsibilities. DFAS is responsible for establishing the necessary systems, policies, and procedures for payroll preparation as directed by any departmental or service level agreement.

DFAS and DOE are responsible for maintaining system requirements in compliance with all applicable laws and regulations governed by regulations issued by OPM, Federal and other taxing authorities, the Department of the Treasury, the Department of State, the Office of Management and Budget (OMB), and the Department of Labor.

2. PAYROLL OPERATIONS.

a. Payroll System. DFAS is responsible for the recording of payroll data, including adjustments and supplements, into the Defense Civilian Payroll System in accordance with laws and regulations as applicable. DFAS shall at a minimum:

(1) Pay the net pay due, biweekly, by electronic funds transfer (direct deposit) to the employee's financial institutions;

(2) Promptly make payment in the proper amount to all persons entitled to be paid, in compliance with applicable laws, regulations, DOE Policies, and legal decisions;

(3) Prepare adequate and reliable payroll records;

(4) Promptly record accounting entries for the disposition of all authorized deductions from gross pay;

(5) Maintain adequate control over, and provide adequate retention and disposition of, all payroll related documents;

(6) Maintain individual pay records to show gross compensation (including allowances) by type and amount, deductions (including allotments) by type and account, and net pay for each period; and,

(7) Review payroll operations continually and adjust them to be as efficient, effective, and economical as possible, and ensure that payroll systems are in accordance with all legal requirements.

b. **Internal Controls.** An effective system of internal control requires the separation of duties between the payroll and human resource offices. The human resource office shall furnish the DFAS payroll office with authorization for each addition to or deletion from the payroll or change in rate of pay. All changes in payroll must be supported by authorized change documents.

(1) For employee initiated adjustments, such as thrift savings plan and address changes, the employee shall furnish authorization in writing or through the Employee Self Service/myPay website. The human resource office shall maintain a record of the employee's authorization for benefit adjustments submitted in writing in the employee's electronic Official Personnel File. The Employee Self Service and myPay systems shall retain records of transactions submitted electronically. The Energy Finance and Accounting Service Center (EFASC) shall maintain a record of the employee's authorization for deduction adjustments submitted in writing.

(2) Personnel performing the payroll accounting activity do not certify time and attendance records.

(3) Earnings and leave statements are made available to employees via the myPay website.

(4) EFASC ensures that payroll data is processed accurately: that time and attendance records are certified by appropriate DOE officials, and that hardcopy changes received in writing from the human resource office or the employee are reviewed sufficiently to ensure their accuracy and acceptability before submitting to DFAS.

(5) The Office of Corporate Information Systems provides summary reports of each employee's records to the certifier of the employee's time and attendance records for appropriate review and verification via Employee Self Service.

(6) At the request of DOE programs, EFASC may establish Task Codes within the Automated Time Attendance and Production System (ATAAPS) that allow individuals to charge their time to an organization other their own. Organizations that request the establishment of these Task Codes must pay close attention to their payroll expenditures to ensure that they are only paying for appropriate payroll expenses. These organizations must also request that EFASC delete codes that are no longer necessary.

c. **Handling Personal Information**. The Privacy Act of 1974 (Public Law 93-759) and DOE Order 206.1, Department of Energy Privacy Program, establish certain minimum standards for handling and processing personal information maintained in the data banks and systems of the executive branch, for preserving the security of the computerized or manual system, and for safeguarding the confidentiality of the information.

d. **Accounting**.

(1) EFASC establishes ATAAPS Work Center, Task, and Job Order codes to allow the payroll system to charge costs to the appropriate budgetary funding source. EFASC is responsible for maintaining accounting codes in ATAAPS and the related table in DOEInfo. EFASC payroll accountants enter adjustments in DOEInfo and run the STARS Labor Distribution System Interface to record entries in STARS.

(2) Departmental elements are responsible for managing and monitoring their salary and benefit expenses as a part of the budget execution process in accordance with DOE Order 135.1A, *Budget Execution Funds Distribution and Control*, and DOE Manual 135.1-1A, *Department of Energy Budget Execution Funds Distribution and Control Manual*. Each office is responsible for establishing adequate processes for monitoring its payroll expenditures, both in aggregate and for individual employees. Payroll expenditure information is available from the following sources:

a) STARS: The STARS system provides obligation, cost, and payment reports in aggregate for the office. STARS data may be accessed directly or through the business intelligence tools available on the CFO iPortal.

b) DOEInfo. .

- DOEInfo reports show various levels of employee information for a given organization. These reports are run by employee organization, not funding source. This allows an organization to see payroll expenses for its employees, but will not show any payroll expenses it is incurring for employees of other organization.

- DOEInfo may be accessed from the Management Information Systems (MIS) Application Gateway at https://mis.doe.gov.

c) Payroll Labor & Distribution System (PLDS).

- PLDS reports may be generated by Appropriation or Fund Type. PLDS reports show all charges to a particular Appropriation or Fund Type regardless of the employee's organization. This allows the organization to monitor any payroll expenses it is incurring for employees assigned to another organization. If the program had previously established ATAAPS Task codes that allow other programs to charge hours worked to their program, they would need to generate PLDS reports to review all their salary and benefit charges.

- PLDS access is available to authorized program office employees by sending a request to the Payroll Help Desk at PayrollCSRHelpDesk@hq.doe.gov.

- Technical information on DOEInfo and PLDS is available from CF-40, Office of Corporate Information Systems.

e. Non-cash Fringe Benefits. Internal Revenue Service (IRS) regulations require certain non-cash fringe benefits to be included in employee taxable wages. The EFASC Payroll Team will issue additional guidance providing specific information on required reporting for these benefits as determined by the most recent IRS guidance. Departmental elements must provide the EFASC Payroll Team with information on non-cash fringe benefits for inclusion in the taxable wages of effected employees as specified in the guidance.

3. **OTHER GENERAL PAYROLL INFORMATION.** More information can be found on Basic Pay, Payroll Earnings, Payroll Deductions, Payroll Records, Employee Benefits, Garnishments, Insurances, and other general payroll questions at:

a. The Department of Defense's Defense Finance and Accounting Service (DFAS) website (http://www.dfas.mil);

b. The Department of Energy Office of the Chief Human Capital Officer website (http://humancapital.doe.gov);

c. The Department of Energy Directives, Regulations, and Standards website (https://www.directives.doe.gov/directives/current-directives), referenced to DOE Order 323.1, "Garnishment of Federal Employee's Pay," DOE Order 322.1C, " Pay and Leave Administration and Hours of Duty," and DOE Order 533.1, "Collection from Current and Former Employees for Indebtedness to the United States,";

d. The Department of State Standardized Regulations website (http://www.state.gov/www/perdiems/dssr/regs000.html, and http://aoprals.state.gov);

e. The Employee Self Service website (https://mis.doe.gov/ess);

f. The Thrift Savings Plan website (http://www.tsp.gov); and,

g. The Office of Personnel Management website (http://www.opm.gov).

Department of Energy
Washington, DC 20585

January 18, 2005

MEMORANDUM FOR FIELD DISTRIBUTION

FROM: DEAN G. OLSON, DIRECTOR
OFFICE OF FINANCIAL POLICY

SUBJECT: Accounting Handbook – Chapter 17, Transportation

Attached is the final version of Chapter 17, "Transportation," of the Department's Accounting Handbook. A draft version of this chapter was circulated for review and comment in a November 1, 2004, memorandum "Request for Review of Draft DOE Accounting Handbook Chapter 17." There were no comments on this chapter.

We appreciate your assistance in the update of the Accounting Handbook. When all chapters of the Accounting Handbook have been updated, we will re-issue the entire Handbook. If you have questions or would like to discuss any provisions of this chapter, please contact Dean Olson on 202-586-4860.

Attachment

DISTRIBUTION

James H. Curtis, Vice President, Policy Management & Finance, BPA
Thomas C. Foley, Acting Chief Financial Officer, CH
Timothy A. Rea, Finance Team Leader, GFO
Christine Ott, Chief Financial Officer, ID
Sharon K. Marchant, Chief Financial Officer, NETL
E. Dennis Martinez, Chief Financial Officer, NNSA
M. Janet Boulanger, Finance Manager, NPR3
William I. Winn, Acting Chief Financial Officer, OH
Judith M. Penry, Chief Financial Officer, OR
Gary A. White, Chief Financial Officer, PNRO
Jean F. Schwier, Assistant Manager, Administration, RL
Leon Jourolmon, Jr., Assistant Administrator for Finance & Marketing, SEPA
(Michael McWilliams and Sharon Weiss) Director, Planning & Financial Management, SPRO
Paul E. Anderson, Chief Financial Officer, SR
Gary L. Swartzlander, Director, Division of Financial Management & CFO, SWPA Attn: 5200
Harrison G. Pease, Chief Financial Officer, WAPA
William J. Leahy, Chief Financial Officer, Schenectady Naval Reactors Office, SNRO
Philip A. Pegnato, Acting Director, Office of Finance & Oversight, ME-12/GTN

January 27, 2005

CHAPTER 17

TRANSPORTATION

1. INTRODUCTION.

a. This chapter provides procedures for DOE site/facility management contractors to process and pay carriers' bills for transporting property for the U.S. Government using commercial bills of lading (CBLs) and to prescribe the requirement for rate audit by the General Services Administration (GSA). This chapter does not include procedures for shipments by parcel post or small package carrier.

b. DOE site/facility management contractors will use CBLs in making shipments for DOE. The DOE contracting officer may authorize the use of a CBL (for shipments other than by parcel post or small package carrier) using a GSA Standard Tender of Service (STOS), under the provisions of the Federal transportation procurement statutes (49 U.S.C. 10721 or 13712), if such use will be advantageous to the Government. The DOE field office shall coordinate such authorizations with the Director of the Office of Transportation (EM-11). Further guidance is contained in DOE O 460.2, Departmental Materials Transportation and Packaging Management; 41 CFR 109-40.50, Transportation and Traffic Management; 41 CFR 102-117, Transportation Management; 41 CFR 102-118, Transportation Payment and Audit; and the "U.S. Government Freight Transportation Handbook" available at http://www.gsa.gov.

c. The DOE Automated Transportation Management System (ATMS) automates a number of transportation management tasks and satisfies some of the requirements listed below.

d. Effective March 31, 2002, Government Bills of Lading (GBLs) for domestic use were retired. The GBL was replaced with the CGL or purchase order in accordance with 41 CFR 102-117 and 41 CFR 102-118.

2. USE OF COMMERCIAL BILLS OF LADING. See 41 CFR 109-40.5003.

a. When making shipments for DOE using a CBL, DOE site/facility management contractors will include the following statement, or one that is substantially the same, on all CBLs: "This U.S. Government shipment is under the terms and conditions of 41 CFR 102-117 and 41 CFR 102-118."

b. Where practicable, DOE site/facility management contractors will ensure that CBLs provide for the consignment of shipments to DOE, in care of the DOE site/facility management contractor or by the contractor "for DOE."

c. DOE site/facility management contractors issuing CBLs exceeding $10,000 will annotate the CBL with the following statement: "Equal Employment Opportunity, all provisions of Executive Order 11246, as amended by Executive Order 11375, and of the rules, regulations, and relevant orders of the Secretary of Labor are incorporated herein."

3. **USE OF A GSA STOS** (Excluding shipments by parcel post or small package carrier).

a. DOE site/facility management contractors are authorized to use CBLs referencing a GSA STOS. The contracting officer authorizes specific employees (by name and/or title) of DOE site/facility management contractors (41 CFR 109-40.5004).

b. In addition to the items specified in paragraph 2 above, to qualify for the rates specified in a rate tender filed under the provisions of the Federal transportation procurement statues,-

(1) property must be shipped by or for DOE, and

(2) the rate tender must indicate that DOE is either the consignor or the consignee, and include the following statement: Transportation is for the Department of Energy and the total charges paid to the transportation service provider by the consignor or consignee are for the benefit of the Government."

c. When using a rate tender for transportation under a cost-reimbursable contract, the rate tender must include the following statement: Transportation is for the Department of Energy and the actual total transportation charges paid to the transportation service provider by the consignor or consignee are to be reimbursed by the Government pursuant to cost reimbursable contract (appropriate contract number). This may be confirmed by contacting the agency representative at (appropriate name, address, and telephone number).

4. **OBLIGATION OF TRANSPORTATION FUNDS**. The policy and procedures for obligating transportation funds are contained in Chapter 5, "Accounting for Obligations."

5. PROCESSING AND PAYMENTS.

a. **Commercial Bills of Lading Referencing a GSA STOS excluding shipments by parcel post or small package carrier.** When a CBL references a GSA STOS, the carrier bills the appropriate DOE office (using Standard Form1113), instead of the contractor. The contractor supplies the appropriate DOE office with copies of claims for loss or damage (see paragraph 5b(3)). The appropriate DOE office schedules the transportation service charges for payment and ensures an audit prior to payment (41 CFR 102-118.290). The appropriate DOE office bills the contractor for the transportation charges. (See paragraph 5c for the audit requirement for paid bills). The procedures governing the processing and payment of transportation charges are contained in Chapter 6, "Cash."

b. **Commercial Bills of Lading NOT Referencing a GSA STOS.**

(1) **Verification and Payment of Carrier's Charges**. The contractor must ensure that a prepayment audit is completed (41 CFR 102-118.290). The prepayment audit must include confirmation that the charge is from a shipment attributable to the DOE contract and prevent the occurrence of duplicate payments. In addition, the carrier's bill must be checked for any errors in addition and extensions and, if discovered, errors in tariff rates.

(2) **Verification of Freight Descriptions and Special Terms**. The contractor must verify freight descriptions and note, either on the bill or in a separate statement, any discounts, special terms of contracts, or section 10721 (Interstate Commerce Act; 49 U.S.C. 10721) tenders.

(3) **Loss and Damage Claims**. The contractor must promptly process claims exceeding $50 against the carrier for loss or damage to a shipment while in transit and for unearned freight charges on the property lost or damaged beyond repair (41 CFR 102-117.190) under the following circumstances.

(a) When loss or damage is noted by a carrier on the carrier's delivery receipt and acknowledged by the driver, the carrier should be invited to inspect the damaged property within 7 days of delivery. If the carrier does not make or waives the inspection, the contractor should document that fact and file a claim immediately.

(b) If loss or damage is discovered subsequent to delivery, the delivering carrier must be notified by telephone, and an inspection

requested. Unless there are extenuating circumstances, the notification and request for inspection must be made within 15 days of delivery.

c. **Audit by GSA**.

(1) **Requirement**. For transportation services, legible copies of all paid freight bills/invoices, CBLs, and supporting documentation (41 CFR 102-118.430) must be submitted by the contractor to GSA for audit. GSA granted DOE an exception requiring the submission of only those bills and invoices greater than $50. Bills/invoices for $50 or less will be retained onsite and made available for GSA onsite audits. The contractor must promptly forward any original transportation bill requested by GSA. Original paid bills must be retained for the period of time specified by applicable Federal requirements and DOE O 200.1, Information Management Program.

(2) **Examination of Payments/GSA Collection Action**. Bills sent to GSA will not be returned. When an overcharge on a carrier freight or express bill is discovered, GSA prepares a Notice of Overcharge addressed to the carrier's agent. The notice requests a refund of the overcharge to GSA, citing the applicable tariff or other authority for the charge deemed to be proper (41 CFR 102-118.435(f)). Amounts collected finance GSA transportation audit postpayment contracts, contract administration, and all other transportation audit and audit-related functions conferred upon the Administrator of GSA (31 USC 3726).

CHAPTER 18

FINANCIAL MANAGEMENT OF OIL OVERCHARGE MONEYS

1. PURPOSE. To establish policy, objectives, procedures, and responsibilities for the financial management of oil overcharge moneys. This chapter covers moneys received pursuant to consent orders, remedial orders, remedial orders for immediate compliance, orders of disallowance issued by the Department of Energy (DOE), consent decrees, and decisions of the courts.

2. APPLICABILITY.

   a. Departmental Applicability. This chapter applies to all Departmental elements and activities that are directly or indirectly involved in the management of oil overcharge moneys.

   b. DOE Contractors. This chapter does not apply to contractors.

3. REQUIREMENTS.

   a. DOE shall use the escrow account to deposit all or any part of moneys received from persons who have violated or allegedly violated DOE regulations. In accordance with 31 U.S.C. 3513, DOE has established a deposit fund escrow account with investment authority, 89X6425, Payments by Alleged Violators of Department of Energy Regulations, with Treasury.

   b. The Chief Financial Officer (CFO) shall invest funds in the escrow account in U.S. Government securities or deposit them with financial institutions for investment in certificates of deposit with minority and woman-owned financial institutions under the Department's Bank Deposit Financial Assistance Program.

   c. The CFO shall ensure that moneys deposited in minority and woman-owned financial institutions are either completely insured by the Federal Deposit Insurance Corporation or invested at all times by these financial institutions in investments backed by the full faith and credit of the United States. All amounts in excess of the insurance limits must be secured by collateral pledged with a Federal Reserve bank in accordance with 31 CFR 202 and the Treasury Financial Manual (I TFM 6-9000).

   d. The CFO shall disburse or transfer moneys deposited in the escrow account or subsequently invested only under one of the following conditions:

      (1) Pursuant to an order issued by the Office of Hearings and Appeals (OHA);

      (2) As authorized by statutory requirements that may be enacted;

      (3) To make a refund to a violator or alleged violator based on erroneous overpayment to the account; or

(4) Pursuant to a determination issued by the General Counsel (GC) to transfer funds to the Miscellaneous Receipts account within Treasury.

e. The funds in special refund proceedings involving crude oil cases shall be distributed as follows: Up to 20 percent will be reserved for the payment of claims of eligible parties, and the balance will be divided between the states, territories, and possessions of the United States and Treasury as indirect restitution to unidentified injured parties.

f. The moneys shall not be used to pay or reimburse Department administrative expenses, except to the extent expressly authorized by law.

g. Accounting Controls. The financial management of the moneys received by the CFO shall include a subsidiary account for each remedial order, order of disallowance, consent order, or decision and order (referred to collectively below as "order"). Each account must list the receipts, interest earned, and disbursements (including attributable interest) against each order. The GC shall provide a copy of the order to the CFO when moneys due from oil entities are established. The CFO shall record and maintain receivables for moneys due from violators or alleged violators. The CFO shall pool the total moneys collected and deposited to the account for investment purposes without regard to the amounts applicable to individual orders in accordance with the agreement between Treasury and DOE.

h. Investments. The CFO shall invest all moneys deposited into the escrow account in U.S. Government securities or deposit them in financial institutions for investment in accordance with the policies described in paragraphs 3b and 3c above. The Department participates in the Bank Deposit Financial Assistance Program by investing, through administrative financial institutions, in certificates of deposit with minority and woman-owned financial institutions. The agreement between Treasury and DOE is the basis for DOE to invest directly in U.S. Government securities. The Director of OHA and the GC shall coordinate with the CFO to ensure that authorized payments from the escrow account are matched with maturing investments that will provide enough cash to pay the authorized disbursements. If the established maturity cycle will not provide enough cash, investments may be redeemed early.

i. Interest. The CFO shall credit interest on investments to the individual subsidiary accounts established for each order based on the number of days the funds are available for investment during the investment period. This interest shall be accumulated daily.

j. Receivables. To ensure sound business management practices, the CFO shall establish, collect, and close receivables for moneys due from violators or alleged violators of DOE regulations or from individuals who have received erroneous refunds. The practices described in Chapter 8, "Receivables," should be followed to the extent applicable.

k. Disbursements. The Director of OHA or a designee shall initiate requests for disbursements from the escrow account, ensuring that adequate internal controls provide reasonable assurance of the legitimacy of payments to claimants. The GC or a designee shall request transfers to Treasury's Miscellaneous Receipts account, subject to the settlement agreement in *In re The Department of Energy Stripper Well Exemption Litigation*. The authorized officials shall forward requests for disbursements or transfers to the CFO's designee, specifying in each request the amount, the purpose, and the consent order to which the payment is to be charged.

l. Reports. The CFO shall provide a status report on the subsidiary accounts each month to the GC and the Director of OHA. The report shall include the receipts, interest earned, disbursements, and escrow balance for each subsidiary account.

m. Federal Tracking, State Tracking, and Claimant Tracking Subsidiary Accounts. The CFO maintains the Consent Order Tracking System, which includes state tracking, Federal tracking, and claimant tracking subsidiary accounts to provide better control and an audit trail for payments to states, miscellaneous receipts, and claimants from crude oil money held in escrow. Crude oil money is transferred from the other subsidiary accounts to these tracking accounts. The Federal tracking account also contains a reserve to provide funds for payment of liabilities that the Department may incur as a result of litigation. The Director of OHA shall determine the amount of funds to be held in reserve for possible liabilities.

4. RESPONSIBILITIES.

a. Office of Hearings and Appeals.

(1) The Director of the OHA has the authority to:

(a) Issue final remedial orders, remedial orders for immediate compliance, and orders of disallowance described in 10 CFR 205.199B to require violators to take any of the remedies listed in 10 CFR 205.199I, or such other action that DOE determines necessary to eliminate or compensate for the effects of a violation.

(b) Implement special refund procedures pursuant to 10 CFR 205.280 et. seq. (subpart V) to refund moneys to injured persons who are not readily identifiable and are entitled to refunds for oil overcharges and other violations of the Mandatory Petroleum Allocation and Price Regulations.

(2) The Director of the OHA or a designee shall:

(a) Issue orders specifying the distribution of funds from the escrow account.

(b) Annually determine the amounts that are excess in the escrow account.

(c) Designate and provide to the CFO the names and signatures of approving officials to authorize requests for disbursement of moneys from the escrow account.

(d) Verify injured persons' addresses, notify them of the forthcoming payments, and request their tax identification numbers before requesting disbursement from the escrow account.

(e) Provide projections of future disbursements from the escrow account as required by the CFO to facilitate the development and updating of an investment plan for the escrow account.

b. Office of the General Counsel.

(1) The GC has the authority to commence enforcement actions against persons who were subject to the Mandatory Petroleum Allocation and Price Regulations and to enter into consent orders, pursuant to 10 CFR 205.199J, in settlement of alleged violations.

(2) The GC or designee shall:

(a) Provide a copy of each order to the CFO when moneys are due from oil entities, indicating the schedule of payment and interest assessment, if applicable.

(b) Designate and provide to the CFO the name and signature of an approving official to authorize requests for transfers of moneys from the escrow account to the Miscellaneous Receipts account of Treasury.

(c) Issue determinations to make transfers to the Miscellaneous Receipts account of Treasury.

(d) Determine the amount of funds to be held in reserve for the payment of liabilities that the Department may incur as a result of litigation.

(e) Provide projections of deposits resulting from future settlements with alleged violators of the Department's price and allocations regulations as required by the CFO.

c. The CFO shall:

(1) Be responsible for the overall financial management of moneys in the accounts that are the subject of this chapter.

(2) Be responsible for establishing, collecting, and closing receivables for moneys due from violators of DOE regulations or due from individuals who have received erroneous payments.

(3) Disburse funds, including interest earned, in accordance with directives or determinations issued by the responsible official for any particular disbursement effort pursuant to paragraphs 4a(2)(a) and 4b(2)(c).

(4) Provide monthly reports on the status of subsidiary accounts.

(5) Ensure compliance with the terms and conditions of the agreement between Treasury and DOE and request changes to the agreement as may be required.

(6) Make deposits into the escrow account for investments.

(7) Utilizing projections of future deposits to and disbursements from the escrow account provided by the GC and the Director of OHA, identify available funds and invest them in either U.S. Government securities or certificates of deposit with minority and woman-owned financial institutions participating in the Department's Bank Deposit Financial Assistance Program.

(8) Manage financial activities associated with the Department's Bank Deposit Financial Assistance Program.

(9) Obtain legal concurrence from the GC regarding compromise, suspension, and termination actions on receivables of more than $100,000 that are due from violators of DOE regulations and, as appropriate, legal advice on amounts due from individuals who have received erroneous payments and court orders or interpretation of legislative actions that may affect disbursement of funds from the deposit fund escrow account.

5. REFERENCES.

a. The Economic Stabilization Act of 1970, as amended (Title 12, part 1904, of the United States Code (12 U.S.C. 1904), section 209), provides for restitution of moneys received in violation of DOE's price and allocation regulations.

b. The Emergency Petroleum Allocation Act of 1973 (15 U.S.C. 751 et seq. (1976)) includes the following provisions:

(1) Section 5(a)(1) incorporates section 209 of the Economic Stabilization Act, which concerns injunctions and other relief for violations, such as paragraph 4d(2)(a) restitution of overcharges by violators of oil price regulations.

(2) Section 4(a) provides the authority to promulgate regulations for the mandatory allocation and pricing of crude oil, residual fuel oil, and refined petroleum products in the United States.

(3) Section 4(b) states the objectives of the Mandatory Petroleum Allocation and Price Regulations, including equitable distribution of crude oil and refined petroleum products at equitable prices among all users and the maintenance of residential heating.

c. The Department of Energy Organization Act of 1977 (42 U.S.C. 7193, section 503), provides that the Department can issue a remedial order to a violator of any regulation, rule, or order promulgated pursuant to the Emergency Petroleum Allocation Act.

d. The Petroleum Overcharge Distribution and Restitution Act of 1986, contained in title III of the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509), has been repealed. However, 15 U.S.C. 4502, Identification and Disbursement of Restitutionary Amounts, provides that the Secretary shall assure that the amount remaining in escrow to satisfy refined petroleum product claims for direct restitution is allocated equitably among the claimants.

e. The Resolution Trust Corporation Completion Act (Public Law 103-204), section 38(a)(3), provides that funds deposited by an insured depository institution pursuant to the Bank Deposit Financial Assistance Program of the Department of Energy shall be separately insured in an amount not to exceed $100,000 for each insured depository institution depositing such funds.

f. The Modified Restitutionary Policy Statement, of 8-4-86, implemented special refund proceedings under title 10, part 205, of the Code of Federal Regulations (10 CFR 205), subpart V, in crude oil cases.

g. Mandatory Petroleum Allocation and Price Regulations (10 CFR 210, 211, and 212) provide rules for pricing and allocating crude oil, residual fuel oil, and refined petroleum products produced in or imported into the United States.

h. 10 CFR 205 provides for the issuance of enforcement documents and remedies for oil overcharges.

i. The Department of Energy-Department of the Treasury (Treasury) Agreement on Establishment of a Deposit Fund Escrow Account for Payments in Regard to Possible or Actual Violations of Law Enforced by the Department of Energy, of 4-7-80, establishes a Treasury account for the deposit of moneys collected by DOE and procedures for investment in U.S. Government securities.

j. *In re The Department of Energy Stripper Well Exemption Litigation*, M.D.L. No. 378 (D. Kan., July 7, 1986), resulted in a settlement agreement of litigation over alleged violations of regulations governing the pricing of crude oil.

CHAPTER 19

NUCLEAR WASTE FUND

1. INTRODUCTION.

a. Purpose. This chapter establishes the financial, accounting, and budget policies and procedures for civilian and defense nuclear waste activities, as authorized in Public Law 97-425, the Nuclear Waste Policy Act, as amended, referred to hereafter as the Act.

b. Applicability. This chapter applies to all Departmental elements, including the National Nuclear Security Administration, and activities that are funded by the Nuclear Waste Fund (NWF) or the Defense Nuclear Waste Disposal appropriation.

c. Background. The Act established the Office of Civilian Radioactive Waste Management (OCRWM) and assigned it responsibility for the management and disposal of the Nation's spent nuclear fuel and high-level radioactive waste.

(1) The Act established the NWF and authorized the Secretary of Energy (Secretary) to enter into contracts with owners or generators of spent nuclear fuel or high-level radioactive waste of domestic origin in return for the payment of all costs associated with the storage, transportation, and disposal of the spent nuclear fuel or high-level radioactive waste. NWF revenues come from fees charged to owners and generators of spent nuclear fuel and high-level radioactive waste.

(2) The Defense Nuclear Waste Disposal appropriation was established by Congress in 1993 as an alternative to direct payment by the Department into the NWF for the cost of disposing of spent nuclear fuel and high-level radioactive waste resulting from atomic energy defense activities, in accordance with the full-cost-recovery provisions of the Act.

(3) OCRWM shall administer the NWF and the Defense Nuclear Waste Disposal appropriation in accordance with the provisions of the Act; the Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste in Title 10, part 961, of the Code of Federal Regulations; the regulations of the Department of the Treasury (Treasury); and guidance provided by the Office of Management and Budget (OMB) and Congress.

2. RESPONSIBILITIES.

a. Director of the Office of Civilian Radioactive Waste Management:

(1) In coordination with the Department's Chief Financial Officer (CFO), establishes financial management policies, procedures, objectives, and requirements of the Civilian Radioactive Waste Management Program for all Departmental elements;

(2) Develops estimates for current fiscal year and outyears, as required, of obligations, costs, fees, income, and disbursements and provides data to the CFO;

(3) Develops staffing and support service cost estimates for OCRWM activities at Headquarters in coordination with the Director, Office of Human Capital Management (HR);

(4) Develops appropriate plans for repayment of funds for amounts borrowed from the Treasury, in coordination with the CFO;

(5) Develops borrowing and investment strategies and requirements, including cash flow analyses for the NWF, in coordination with the CFO;

(6) Develops and submits an annual report to Congress on OCRWM activities and expenditures;

(7) Directs and monitors the status of the OCRWM-wide approved funding program (AFP);

(8) Directs, prepares, defends, and consolidates OCRWM budgets, including staffing and program requirements, in coordination with the CFO and HR;

(9) In coordination with the CFO and the Inspector General, develops requirements for and administers independent financial and compliance audits of OCRWM activities;

(10) Determines the Defense share of the cost of the waste management system;

(11) In collaboration with the Office of Environmental Management, establishes a fee payment schedule for disposal of defense high-level radioactive waste;

(12) Manages the Standard Contract and any other instruments executed for disposal of spent nuclear fuel and/or high-level radioactive waste;

(13) Conducts program internal financial and compliance reviews of the financial management of OCRWM, including capital equipment, and monitors actual charges to the NWF for equipment and services provided by HR;

(14) Administers the Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste.

b. Chief Financial Officer:

(1) In coordination with OCRWM, develops and maintains financial policy and operating procedures for OCRWM activities and monitors the financial activity of the NWF and the Defense Nuclear Waste Disposal appropriation;

(2) Coordinates fiscal policy matters with OCRWM and Treasury;

(3) Provides financial input to OCRWM for the annual report to Congress on program activities and expenditures;

(4) In coordination with OCRWM, performs all accounting activities related to the Civilian Radioactive Waste Management Program; maintains official accounting records; and maintains liaison with Treasury and the Government Accountability Office (GAO) on operational accounting matters;

(5) Provides monthly accounting reports on the status of nuclear waste activities to OCRWM and to field elements;

(6) Prepares annual financial statements for audit by a certified public accounting firm, in accordance with requirements of the Chief Financial Officers Act;

(7) Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the full-time equivalents (FTEs) authorized.

c. Director, Office of Human Capital Management:

(1) Provides administrative support services to OCRWM on a reimbursable basis and negotiates method by which HR support-services costs at Headquarters are allocated to OCRWM;

(2) Prepares the annual Headquarters operating plan for those support services provided and allocated to OCRWM;

(3) Estimates OCRWM's quarterly obligations for support services at Headquarters and provides estimates and actual costs to the CFO for distribution in the Headquarters accounting system;

(4) Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

d. Director, Office of Procurement and Assistance Management:

Develops and maintains Departmental personal property policies, standards and procedures, and provides contract-related business management advice to OCRWM.

e. Field Elements:

(1) Performs all financial activities related to their involvement with OCRWM and submits appropriate transactions through the DOE accounting system;

(2) Reports all OCRWM disbursement amounts to the CFO;

(3) Provides financial reports to OCRWM, as necessary;

(4) Requests necessary changes in Approved Funding Programs (AFPs) and allotments from OCRWM;

(5) Assures the effective management of Government personal property acquired for, or in use by, OCRWM, in accordance with applicable laws, regulations, and this chapter;

(6) Provides monthly and annual projections of obligations, costs, and disbursements to OCRWM no later than 10 calendar days after the end of each calendar quarter;

(7) Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized;

(8) Provides administrative support services to OCRWM on a reimbursable basis.

f. Assistant Secretary for Environmental Management:

In collaboration with OCRWM, establishes a fee payment schedule for defense high-level radioactive waste and makes payments into the NWF in accordance with that schedule.

g. Inspector General:

Coordinates with OCRWM and the CFO on developing requirements for, and administering, independent audits of OCRWM activities.

h. General Counsel:

Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

i. Assistant Secretary for Congressional and Intergovernmental Affairs:

Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

j. Assistant Secretary for Environment, Safety and Health: Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

3. BUDGETING AND FINANCING.

a. Budgeting. Although the Act prescribed triennial budgets, appropriations from the NWF have been provided on an annual basis. The NWF is excluded from apportionment under specific terms of the Act and is subject to the DOE administrative control of funds systems and OMB procedures for budget execution reference in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. In coordination with OCRWM, the CFO will issue allotments and AFPs to the Field Elements involved. Allotments issued for the NWF provide obligational authority only. The Defense Nuclear Waste Disposal appropriation is appropriated and apportioned annually and is subject to OMB and DOE administrative control of funds procedures. For additional information, see the DOE budget directives.

b. **Financing.** OCRWM's activities are financed by the owners and generators of spent nuclear fuel and high-level radioactive waste. The purchasers execute a contract or other appropriate instrument with DOE that specifies the fee charged and the timing and method of payment.

(1) **Nuclear Waste Fund.** An annual appropriation from the NWF is required to authorize the commitment and obligation of funds to carry out the purposes of the Act. Such funds shall remain available until expended.

(a) Utilities will pay a one-time fee for domestic civilian spent nuclear fuel resulting from electricity generated and sold prior to April 7, 1983. This fee will be equivalent to an average charge of 1 mill per net kilowatt hour of electricity generated by all such fuel, and will be levied on each kilogram of heavy metal. For electricity generated and sold by a civilian nuclear power reactor on or after April 7, 1983, there will be a fee of 1 mill per net kilowatt hour, payable quarterly in accordance with the contract. The Secretary of Energy will propose an adjustment to Congress whenever the current fee is determined to be inadequate or excessive to meet the total cost of the waste disposal system. Congress may approve or disapprove the proposed adjustment.

(b) Fees paid by other owners or generators of spent nuclear fuel or high-level radioactive waste will be equivalent to those paid by nuclear utilities.

(c) Interest earned on investments and late or underpayment fee charges will be deposited into the NWF.

(d) In the event funds in the NWF are insufficient to meet program needs, the NWF may borrow from the General Fund of the Treasury to support the program to the extent provided in annual appropriation acts.

(2) **Defense Nuclear Waste Disposal Appropriation.** The Defense Nuclear Waste Disposal appropriation was established by Congress in Fiscal Year (FY) 1993 as an alternative to direct payment by the Department into the Nuclear Waste Fund for the cost of disposing of spent nuclear fuel and high-level radioactive waste resulting from atomic energy defense activities, in accordance with the full-cost-recovery provisions of the Act.

4. ADMINISTRATIVE COST.

a. Definitions.

(1) **Program Direct Personnel.** All Federal employees assigned or detailed to OCRWM who spend 100 percent of their time on OCRWM activities.

(2) **Program Support Personnel.** Federal employees at Headquarters or DOE field elements who perform activities in direct support of OCRWM's mission, functions, organizations, and systems but who are not assigned or detailed to OCRWM, and whose work directly benefits OCRWM. Employees in this category may devote 100 percent of their time to the support of OCRWM. Excluded are those Federal personnel who may perform some OCRWM-related work, but who do so primarily as part of larger institutional responsibilities of the Department. Also excluded are personnel involved in functions principally associated with a DOE program other than OCRWM.

(3) **Administrative Costs.** Include salaries, travel, training, and fringe benefits of Federal employees. They also include administrative support costs, such as costs associated with capital equipment not related to construction, printing and reproduction, public information, rents and utilities, communication services, security investigations, supplies and materials, and transportation and travel.

b. Personnel.

(1) Program direct personnel are identified in the payroll system by the specified nuclear waste appropriation and program values. All program direct employee personnel services costs (salary, leave, and benefits) shall be charged directly to OCRWM.

(2) Program support costs (salary, leave, and benefits) for those employees who spend 100 percent of their time in support of OCRWM activities and all other program support employees personal services costs (that is, salary, leave, and benefits) shall also be charged directly to OCRWM.

(3) The cumulative number of hours worked and charged to OCRWM each fiscal year may not exceed the FTEs authorized.

c. Administrative Support Costs.

(1) Administrative support costs are calculated from either actual expenditures in support of the program or a combination of a percentage of total costs and actual or prorated costs on the basis of FTEs authorized for nuclear waste activities.

(2) When applicable, administrative costs will be charged to and paid directly by OCRWM. As a minimum, support costs provided to OCRWM on a reimbursable basis will be billed monthly, and labor costs will be reimbursed on a biweekly basis.

(a) Headquarters support costs will be processed under the Departmental Administration appropriation and reimbursed annually by OCRWM. OCRWM's estimated quarterly support costs will be obligated at the beginning of each quarter. HR will develop a percentage to distribute OCRWM's portion of the monthly support cost disbursements paid by the Departmental Administration appropriation. HR and the CFO shall compare the estimated obligations, costs, and disbursements to actual amounts and adjust them quarterly, at a minimum, and at yearend.

(b) Field elements will compute support costs from actual expenditures in support of the program or prorated costs based on the number of FTEs assigned to the nuclear waste activities.

(3) Costs for security investigations required for the performance of activities supporting OCRWM will be charged to OCRWM based on the numbers and types of security investigations performed (i.e., full background or limited background) for the applicable fiscal year.

5. ACCOUNTING.

a. Administrative Control of Funds. The CFO and the allottees shall ensure that disbursements and obligations of OCRWM funds do not exceed available disbursement targets and obligational authority.

b. Revenue Recognition. All income is recognized as revenue to the extent of costs incurred. OCRWM income includes fees from utilities and Defense Nuclear Waste Disposal activities, as well as interest income from accounts receivable and investment income.

c. Collections.

(1) The time of remittance will be based on the contracts executed between the purchasers and DOE. Purchasers will not be billed for payments due to the NWF unless the payment is either incorrect or not received on time. An account receivable will be established quarterly to reflect the estimated amount due from each purchaser.

(2) Fees for disposal will be submitted to Headquarters via the Treasury Cash Link System or the Federal Reserve's Automated Clearing House System using agency location code 89-00-0001.

(3) All payments shall be made no later than the last business day of the month following each assigned 3-month period, which DOE provides to the purchaser.

(4) The accounts receivable will be adjusted to reflect actual payment. A bill shall be prepared for all delinquent accounts and submitted to the purchaser promptly. In addition, the bill will specify the interest payable in accordance with the terms of the contract.

d. Plant and Capital Equipment.

(1) Separate identification of OCRWM capital equipment is required. This includes tagging and tracking in both the property management and accounting systems.

(2) Transfers of Property and Equipment.

(a) Capital Equipment Transfer Vouchers, DOE F 2240.7, shall be coordinated with the OCRWM Capital Equipment Coordinator, prior to submission for financial processing.

(b) Any equipment items that are acquired with funds other than those of the NWF or the Defense Nuclear Waste Disposal appropriation and are subsequently dedicated to nuclear waste on a permanent basis should be transferred to Fund Type 57. If required, OCRWM will provide funding and advise allottee to obligate and disburse the funds for the net book value of the equipment transferred.

(3) Sale and Disposal of OCRWM Equipment. Property and equipment excess to the possessor's needs shall first be reused, if needed, within OCRWM. After equipment has been screened for reuse within OCRWM, it shall be offered for sale to other DOE and government programs at fair market value. Any remaining

equipment may be sold by program contractors at fair market value through auction, sale to a commercial vendor, or repurchased by the original vendor. All equipment sales proceeds, less reasonable selling costs, shall be returned to OCRWM.

(4) **Proceeds from the Sale of Equipment.** Proceeds from the sale of equipment owned by OCRWM must be returned to the NWF rather than submitted to Treasury.

6. **BORROWING AND REPAYMENT.** The Act authorizes the Secretary to borrow from the Treasury if at any time moneys available in the NWF are insufficient to meet disbursement requirements. These borrowings shall not exceed amounts provided in appropriation acts and must be repaid into the General Fund of the Treasury, with interest, from the date the appropriations are disbursed until the date of repayment. Funds borrowed from the Treasury cannot be used for investment purposes.

7. **CASH MANAGEMENT.** Financial transactions involving OCRWM activities shall be accomplished in accordance with Nuclear Waste Fund Cash Management Procedures to ensure availability of cash to meet program requirements and minimize excess cash balances.

8. **REPORTS AND AUDITS.**

a. **Reports.**

(1) The DOE accounting system provides all financial information used for report of NWF activities.

(2) In addition to the reports required by the Treasury and OMB, the OCRWM Office of Financial Management prepares the following reports for:

(a) **Utility Companies.** A Quarterly Statement of Payments Made to the Nuclear Waste Fund provides all purchasers of nuclear waste disposal services a cumulative statement of purchasers' payments and liabilities to the fund.

(b) **Department of the Treasury.** A Special Funds Report is annually provided to Treasury for inclusion into their annual report to Congress on the status of the NWF. This Special Funds Report shall show receipts, outlays, and equity of the NWF.

(c) **Program Office.** A Nuclear Waste Fund Statement of Activity and Statement of Assets and Liabilities reflecting the

financial status of the NWF is available monthly from the DOE I-MANAGE Data Warehouse.

(3) The Act requires OCRWM to report to Congress annually on Program activities and expenditures.

(4) The CFO reviews external reports and provides financial input as necessary. Additional external reports are developed by OCRWM as requested.

b. **Audits.** In accordance with section 304(d) of the Act, as amended, an annual audit of OCRWM will be made by the Comptroller General and DOE shall make available at that time all books, records, accounts, and materials as deemed necessary. In addition, OCRWM shall contract with a certified public accounting firm for an annual financial and compliance audit in coordination with the Inspector General on audit scope, deliverables, and reporting requirements. The Inspector General will also perform financial and performance audits of OCRWM activities in accordance with Public Law 95-452, the Inspector General Act of 1978, as amended.

CHAPTER 20

URANIUM ENRICHMENT DECONTAMINATION AND DECOMMISSIONING FUND

1. INTRODUCTION.

a. Purpose. To establish policies and procedures for the financial management, accounting, budget preparation, cash management of the Uranium Enrichment Decontamination and Decommissioning Fund, referred to hereafter as the Fund.

b. Applicability. This chapter applies to all Departmental elements, including the National Nuclear Security Administration, and activities that are directly or indirectly involved with the Fund.

c. Requirements and Sources of the Fund.

(1) The Energy Policy Act of 1992 (EPACT) requires DOE to establish and administer the Fund. EPACT authorizes that the Fund be available to the Secretary of Energy (Secretary) subject to appropriations for decontamination and decommissioning (D&D) and remedial action (RA) activities at the uranium enrichment facilities (UEFs), and for partial reimbursement of uranium and thorium licensees for costs of D&D, RA, and reclamation activities at uranium and thorium processing sites that the Secretary determines are attributable to byproduct material generated as an incident of sales to the United States. After adjusting for inflation, $715 million of the Fund will be available for reimbursement as follows: to uranium licensees, $350 million (adjusted for inflation), and to thorium licensees, $365 million (adjusted for inflation). All such activities are to be funded from the Fund. EPACT, as amended, authorizes deposits to the Fund of up to $518.2 million per fiscal year, adjusted for inflation.

(2) Pursuant to EPACT, the Secretary is authorized to expend resources from the Fund for D&D activities until the Secretary certifies and Congress concurs, by law, that such activities are complete. For RA activities, the Secretary is authorized to expend Fund resources to the extent the amount in the Fund is sufficient. To the extent the Fund is insufficient, the Department shall be responsible for the cost of RA.

(3) The Secretary is required to state in the Fifth Triennial report to Congress (15 years after October 24, 1992, the date of enactment) recommendations for the reauthorization of the program and the Fund as established under Title XI of EPACT.

d. Source of Funds - ***Reserved***

2. DEFINITIONS.

a. Uranium Enrichment Facilities Definitions.

(1) Decontamination and Decommissioning. Activities, other than response actions or corrective actions, undertaken to D&D the Department's inactive UEFs that have residual radioactive or mixed radioactive and hazardous chemical contamination, including depleted tailings.

(2) Uranium Enrichment. The separation of uranium of a given isotopic content into two components, one with a higher percentage of a fissile isotope and one with a lower percentage.

(3) Domestic Utility. Any utility in the United States that has purchased separative work units (SWUs) from DOE for purposes of commercial electricity generation, during the period beginning in 1945 through October 23, 1992.

(4) Special Assessment. The special assessment levied on domestic utilities for payment into the Fund.

b. Uranium or Thorium Processing Site Definitions.

(1) Active Uranium or Thorium Processing Site.

(a) Any uranium or thorium processing site, including the mill, containing byproduct material for which a license for the production at that site that:

1. was in effect on January 1, 1978;

2. was issued or renewed after January 1, 1978; or

3. for which an application for renewal or issuance was pending on or after January 1, 1978.

(b) Any other real property or improvement on such real property determined by the Secretary or by a State as

permitted under section 274 of the Atomic Energy Act of 1954 to be in the vicinity of such a site and contaminated with residual byproduct material.

(2) **Byproduct Material, per the Atomic Energy Act.** The tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content.

(3) **Decontamination, Decommissioning, Reclamation, and Other Remedial Actions at Uranium and Thorium Processing Sites.** Work performed before or after the enactment of EPACT that is necessary to comply with all applicable requirements of the Uranium Mill Tailings Radiation Control Act of 1978 (42 U.S.C. 7901 et. seq.), or where appropriate, with requirements established by a State that is a party to a discontinuance agreement under section 274 of the Atomic Energy Act.

3. RESPONSIBILITIES.

a. **Assistant Secretary for Environmental Management (EM)** shall:

(1) Develop the financial objectives and requirements of related Fund activities, including preparation of the Cash Flow Analysis Report, and submit requirements to the Office of the Chief Financial Officer (CFO);

(2) Provide to the CFO estimates of current fiscal year and outyears, as required, for obligations, costs, special assessments, and income and disbursements;

(3) Establish the program values for costs and collections for D&D and RA activities in coordination with the CFO;

(4) Direct and monitor the financial activity of the Fund in coordination with the CFO;

(5) Develop the policy and the process for billing and collecting the special assessment from domestic utilities in coordination with the CFO;

(6) Develop investment requirements and an appropriate cash flow analysis in coordination with the CFO;

(7) Coordinate the development of required input into the Secretary's Triennial Report to Congress on the status of D&D activities, RA

activities at the UEF's, and reimbursement of uranium and thorium licensees in accordance with EPACT;

(8) Direct and monitor the status of Headquarters and field approved funding programs and allotments;

(9) Direct, prepare, defend, and consolidate Headquarters, Oak Ridge Office, and Portsmouth Paducah Project Office formulated budgets for the Fund, including staffing and program requirements, and submit them to the CFO;

(10) Prepare and issue regulations governing reimbursement of individual uranium and thorium processing site licensees;

(11) Prepare and issue regulations governing the collection of the special assessment of domestic utilities;

(12) Process all requests for reimbursement from uranium and thorium processing site licensees in coordination with the CFO;

(13) Oversee the annual invoicing of the special assessment and coordinate with the Oak Ridge Office on collection of unpaid invoices;

(14) Oversee the reconciliation of adjustments to special assessment invoices;

(15) Submit a Triennial Report to Congress that addresses the adequacy of the Fund to meet EPACT requirements over the lifetime of the Fund.

b. **The Office of Chief Financial Officer** shall:

(1) Develop and maintain financial policy for Fund activities in coordination with EM;

(2) Perform all accounting and related Fund activities and process appropriate transactions into the DOE accounting system;

(3) Coordinate and analyze budget data for D&D and RA activities;

(4) Coordinate fiscal policy matters with EM and the Department of the Treasury (Treasury);

(5) Concur on EM program values for costs and revenues for D&D activities;

(6) Provide input to Treasury for the annual report to Congress regarding the financial condition and operations of the Fund during the previous fiscal year;

(7) Serve as a focal point for all official accounting operational matters regarding Fund activities, maintain official accounting records, and maintain liaison with Treasury and the Government Accountability Office, in coordination with EM, regarding operational accounting matters;

(8) Review regulations prepared by EM governing reimbursement of individual uranium and thorium processing site licensees and implementation of the special assessment of domestic utilities;

(9) Review investment requirements for compliance with DOE policy and Treasury regulations, initiate investment transactions with Treasury, and maintain appropriate documentation of the investment transactions;

(10) Submit all documentation received from individual uranium and thorium processing site licensees for reimbursement of D&D, RA, and reclamation costs to EM for approval;

(11) Monitor and incorporate disbursement notifications from finance offices in the daily investment activities; and

(12) Provide monthly disbursement targets to the DOE elements responsible for disbursing D&D funds.

c. **Oak Ridge Office and the EM Consolidated Business Center** shall:

(1) Perform all financial activities related to its involvement with D&D, RA and reclamation activities at DOE UEFs and uranium and thorium processing sites and submit appropriate transactions into the DOE accounting system;

(2) Provide financial and accounting reports to EM, as necessary;

(3) Request necessary changes in the approved funding programs and allotments from EM;

(4) Prepare and submit field project budgets to EM in accordance with the CFO's annual budget call;

(5) Monitor the financial activity of the Fund in coordination with EM; and

(6) Develop required input to the Secretary's Triennial Report to Congress, in accordance with EPACT, and transmit the report to EM Headquarters. This includes the status of D&D and RA activities, along with analysis of the adequacy of the Fund to meet cleanup requirements.

d. **Oak Ridge Office** shall:

(1) Report all Fund activities relating to special assessment collections and disbursement amounts to the CFO;

(2) Provide projected collections and outlays for the Fund to the Energy Finance and Accounting Service Center (EFASC), along with investment strategies for any funds in excess of current outlay projections;

(3) Perform the billing and assist EFASC on the collection of the special assessment from domestic utilities;

(4) Reconcile individual utility adjustments to special assessment invoices;

(5) Provide EM with the necessary data to determine the appropriate portion of the special assessment for each domestic utility; and

(6) At the direction of EM, make disbursements to uranium/thorium producers.

e. **Inspector General** shall:

Coordinate with EM and the CFO on developing requirements and administer independent audits of D&D and RA Fund activities.

4. **BUDGET FORMULATION.** The instructions for budget formulation are found in the DOE guidance on budget formulation.

5. **BUDGET EXECUTION.** The Fund is subject to DOE administrative control of funds systems and Office of Management and Budget (OMB) procedures for budget execution as outlined in OMB Circular A-11, "Preparation, Submission, and Execution of the Budget". The CFO will issue allotments and approved funding programs to the DOE elements involved. This process is described in the DOE Budget Directives. Allotments issued for the Fund provide obligational authority only.

6. **ACCOUNTING.**

a. **Administrative Control of Funds.** Allottees of the Fund are responsible for controlling funds allocated to them, including the certification of fund availability for each transaction before obligation, in accordance with Chapter 2, "Administrative Control of Funds". Because of the nature of the Fund, disbursement targets will be issued separately by the CFO based on input from, and coordination with, EM. Accordingly, the CFO and the allottees shall ensure that Fund disbursements and obligations do not exceed available disbursement targets and obligational authority.

b. **Collections of the Special Assessment** - ***Reserved***

c. **Reimbursements.**

(1) The amount of reimbursement paid to any licensee of an active uranium site shall not exceed an amount equal to $6.25 per dry short-ton (adjusted for inflation) of byproduct material that was located on the EPACT's enactment at the site of the activities of such licensee and generated as an incident of sales to the United States. Aggregate payments made to uranium and thorium licensees shall not exceed $715 million (adjusted for inflation).

(2) The Secretary shall determine, as of July 31, 2008, whether the amount authorized to be appropriated, when considered with the $6.25 per dry short-ton limit on reimbursement, exceeds the amount reimbursable to the licensees. If there is an excess, the Secretary may allow reimbursement in excess of $6.25 per dry short-ton on a prorated basis of such sites where the reimbursable costs exceed $6.25 per dry short-ton.

d. **Authorizations, Obligations, Costs, and Disbursements,** as authorized by EPACT, will be performed in accordance with this Handbook.

7. CASH MANAGEMENT.

a. **General.** This section provides the cash management requirements and general procedures applicable to D&D and RA activities at UEFs. D&D, RA, and reclamation activities shall be in accordance with established cash management practices and requirements to ensure efficient management of cash and minimize excess cash balances.

b. **Documentation.** Cash management plans for EM activities shall be supported by the following documentation:

(1) **Cash Flow Analysis** provides a monthly summary of all projected cash activity of the Fund, and is adjusted monthly to reflect actual

cash activity. The report will include the projected collections of the special assessment;

(2) **Investment Plan** provides a detailed status of Fund investments by amount, type, maturity (date and value), and yield to maturity;

(3) **Program Operating Plan** is a summary-level document prepared by EM that states the program objectives and requirements by major elements and the current fiscal year forecasted obligations, costs, fees, income, and disbursements. Field and Headquarters operating plans will be provided to EM by all program participants. This document is required for cash management purposes and should be updated and submitted 15 calendar days after the end of the each month. The Program Operating Plan consists of the following:

(a) **Obligation Plan.** The Obligation Plan provides a yearly projection, by month, of the anticipated obligations. This plan is updated monthly to change forecasts, if necessary, and to reflect actual data received;

(b) **Cost Plan.** The Cost Plan provides a monthly projection of the anticipated accrued costs. This plan is updated monthly to change forecasts, if necessary, and to reflect actual data received;

(c) **Disbursement Forecast.** The Disbursement Forecast provides an estimate of the projected disbursements required by each office to liquidate program obligations. The forecast is updated monthly as actual data are received, and to reflect revised program requirements. The forecast is expected to present a life-cycle baseline of Fund activities; and

(d) **Fee/Income Forecast.** The Fee/Income Forecast provides projections by EM for annual assessments received from domestic utilities and projections of interest that will be earned by the Fund.

c. **Process.**

(1) Cash management of the Fund is a comprehensive process beginning with the Program Operating Plan. Before the beginning of each fiscal year, each field office will provide the documentation listed in paragraphs 7b(3)(a), (b), (c) and (d) above.

EM will prepare the cash management plan based on input from program participants and submit it to the CFO. Contingent on congressional authority, contingencies, and/or mandates, the program requirements are translated into projected obligations, costs, and disbursements.

(2) The next phase involves execution of the plan based on the projected obligations, costs, disbursements and frequent reviews by program officials and the CFO of actual versus planned performance. Revisions to the projections are made monthly. The comparisons and subsequent revisions have direct bearing on the investment strategy and execution, which are integral parts of the cash management of the Fund.

d. Investments.

(1) **Authorization.** EPACT authorizes the Secretary to invest amounts claimed within the Fund in obligations of the United States. Invested amounts include appropriations deposited to the Fund. These obligations shall have maturities and interest rates determined by the Secretary of the Treasury to be appropriate for what DOE determines to be the needs of the Fund. Although EPACT provides that the Secretary of the Treasury will select investments, Treasury relies on DOE to make investment decisions, as do other agencies with special funds.

(2) **Type.** The Fund can be invested in four types of U.S. Treasury securities: bonds, notes, bills, and one-day certificates. In general, longer term securities, such as Treasury bonds and notes, provide a higher expected rate of return but are subject to variations in market values that increase with the time to maturity. Shorter term securities are subject to more volatility in expected rates of return but have market values that are more stable.

(3) **Investment Policy.** The investment policy of the Fund is to provide cash when required to meet program expenditures while maximizing investment earnings.

(4) **Strategy.** The investment strategy of the Fund is to provide funds when required to meet program disbursements while maximizing earnings to ensure that Fund objectives are met. To meet these objectives, investments will be made such that maturity dates approximate the need for funds. Immediate cash needs will be invested in Treasury one-day certificates. Short-term cash needs will be invested in either Treasury bills or Treasury notes and bonds with near-term maturity dates. Treasury notes or bonds with

longer term maturities will be used for long-term cash requirements. In the event that investments are impacted by changes to disbursement schedules, investments may be sold before their maturity date and the proceeds reinvested in securities that more closely match disbursement needs.

e. **Requirements.** The following requirements for D&D Fund activities are in addition to established cash management requirements:

(1) **Disbursement Reporting.** To facilitate the identification of excess cash balances available for investment in one-day certificates with Treasury, each organization that certifies Fund payments shall report daily disbursements to the CFO via telephone no later than 1:00 p.m., Eastern Standard Time. A facsimile confirmation of the disbursement amount should be issued within 24 hours of the phone call; and

(2) **Reconciliation.** The facsimile disbursement reports are to be reconciled monthly to the SF-224, Statement of Transactions, and the accounting data reported in the DOE accounting system.

8. REPORTING.

a. **Financial Report.** Financial reporting of the Fund will be accomplished with the regular DOE accounting system reports. In addition to the normal Treasury and OMB requirements, the CFO will prepare annually a special fund report to Treasury for input into their annual report to Congress on the status of the Fund. The report shall show receipts, outlays, and equity of the Fund.

b. **Program Report.** EM is responsible for preparing the following report for Congress:

Within 3 years of the date of enactment of EPACT, and at least once every 3 years thereafter, the Secretary shall report to Congress on the status of D&D activities in response to EPACT. The fifth Triennial Report shall include an assessment of progress made under section 1101 of EPACT and recommendations of the Secretary for the reauthorization of the program and Fund.

CHAPTER 21

FINANCIAL CLOSEOUT

1. INTRODUCTION.

a. **Purpose.** This chapter describes the financial policy for the closeout of contracts and other acquisition, assistance (e.g., grants and cooperative agreements), and interagency instruments. Nonfinancial closeout procedures for acquisition contracts are described in the Federal Acquisition Regulation (FAR), parts 4 and 42.

b. **Applicability.** This chapter applies to all Departmental elements and their contractors performing work for the Department of Energy (DOE) as provided by law or contract as implemented by the appropriate contracting officer.

c. **Policy.** DOE's policy is to close out and retire contractual instruments in a timely manner following their completion or termination. Timing standards for closing contracts identified in FAR 4.804-1 will be followed.

2. RESPONSIBILITIES.

a. **Head of the Contracting Activity (HCA).** The HCA shall ensure that all financial, administrative, security, patent, and property matters are settled or accomplished expeditiously.

b. **Contracting Officer (CO).** The CO has principal responsibility for initiating, coordinating, and certifying closeout. The CO will establish target dates for completion and coordinate with the field Chief Financial Officer (field CFO) or equivalent the recoupment of any outstanding advances or receivables as described in paragraph 5b of this chapter. In addition, the CO will also determine if the unpaid balance is appropriate and initiate deobligation and/or closeout action by providing a copy of the contract modification to the field CFO or equivalent.

c. **Field Chief Financial Officer (field CFO) or equivalent.** The field CFO or equivalent is responsible for the financial accounting settlement. After receipt of all necessary clearance requirements, CO final payment approval, and any required contractor certification documents, final payment may be authorized and final adjustment of obligations may be recorded. A collateral function of the field CFO or equivalent involves the periodic review of unpaid obligations as prescribed in Chapter 5, "Accounting for Obligations." As part of this review, the field CFO or equivalent identifies inactive (no financial activity) contracts and requests

a determination from the appropriate CO as to the validity of the unpaid balance.

3. **CLOSEOUT DOCUMENTS.** Closeout documents provide physical evidence that conditions necessary to close out and retire the contract have been successfully fulfilled. As closeout document requirements differ for cost reimbursement contracts, fix-price contracts, and purchase orders, the HCA or designee shall conform the required documents to the extent warranted by the individual circumstances and applicable procurement regulations, such as FAR 4.804-5, and advise the finance office accordingly. The CO will assemble and forward to the cognizant field CFO or equivalent a closeout package containing documents identified by the HCA.

4. **FINANCIAL CLEARANCE.**

   a. **Review and Reconciliation of Financial/Closeout Records.** The field CFO or equivalent should immediately confirm that subsidiary ledger/records and contractor closeout documents agree with Departmental accounting records. The field CFO or equivalent shall reconcile differences before proceeding with further financial closeout. Any discrepancy with the contractor closeout documents should be resolved with the CO.

   b. **Review of Final Contract Modification.** Under cost reimbursable contracts, the field CFO or equivalent should review and confirm the final contract modification establishing the final contract price. Any prior-year funds shall be deobligated in accordance with Chapter 5, "Accounting for Obligations."

   c. **Review of Final Invoice.** Following CO approval, the field CFO or equivalent should examine and process for payment final invoices in accordance with Departmental and office procedures, and also determine the applicability of any final payment timing requirements (for example, nature of the instrument, Prompt Payment Act, or administrative completion).

5. **FINANCIAL CLOSEOUT.**

   a. **Settlement Objectives.** From a financial management standpoint, closeout involves settling all financial and accounting matters between DOE and the contractor. The field CFO or equivalent will perform these actions as discussed in paragraph 2c above after receipt of all necessary clearance requirements. Closeout ultimately will result in clearing and removal of contractor accounts from DOE's books incident to the subsequent annual closing of Departmental accounts.

(1) Financial settlements objectives include the following:

(a) Verification and mutual agreement as to costs incurred and payments made to the contractor;

(b) Confirmation, establishment, and collection of any refunds, credits, or other payments owed to DOE;

(c) Verification and adjustment of amounts obligated;

(d) Proper disposition of any retained fee or patent withholding;

(e) Final payment to the contractor; and

(f) Closure of payments cleared or other financing arrangements.

(2) Accounting settlement objectives include the following:

(a) Verification of uncosted and unpaid balances;

(b) Identification and collection of advances or receivables owed to DOE;

(c) Verification, adjustment, and disposition of physical assets, including work-in-progress, completed-asset, depreciation, memorandum accounts, and inventory;

(d) Confirmation or disposition of retained funds or withholdings;

(e) Confirmation and liquidation of outstanding liabilities;

(f) Analysis and adjustments of accounts involving multiple appropriations and program value designations;

(g) Analysis and adjustment of any special-purpose accounts;

(h) Reconciliation of Departmental accounts and subsidiary records; and

(i) Verification of adequate and proper documentation.

b. **Recovery of Advances.** All outstanding advances shall be recovered in accordance with DOE and contractual requirements. Absent provisions in the contract, the field CFO or equivalent shall determine if the advance balance will be returned to DOE or liquidated against amounts owed to the contractor. In the latter case, these advances should be reclassified as accounts receivable.

c. **Government-Owned Property.** All Government-owned property that has been furnished, loaned, constructed, fabricated, or contractor-acquired under the contract shall be accounted for. DOE property clearance is required and shall be included in the closeout package. Inventories, real property, personal property, and related depreciation in the Departmental accounts should be reconciled and cleared in accordance with applicable property regulations (reference DOE Acquisition Regulation 945.6, "Reporting, Redistribution, and Disposal of Contractor Inventory").

d. **Final Payment.** This represents the final act of closeout and is the last opportunity to effect any reduction or offset for amounts owed to the Government.

e. **Closing Payments Cleared Financing Arrangements.** The amount authorized shall be reconciled and appropriately modified to reflect any final obligation change. The field CFO or equivalent shall coordinate termination of the arrangement with the CO and contractor as appropriate, and in accordance with Treasury requirements.

f. **Financial Reports and Statements.** Contractors shall complete all financial, accounting, and budgetary reports in accordance with the contract's terms and conditions. Likewise, integrated contractors shall be required to prepare and submit to DOE financial reports and statements that properly report all their financial activity or information through physical and administrative completion.

g. **Documents and Records Disposition.** Government-owned financial documents and records in the possession of contractors shall be accounted for and disposed of in accordance with DOE O 243.1, "Records Management Program." The contractor shall be required to notify DOE when such statements, documents, and records are available for examination.

6. **INTEGRATED AND, IF APPLICABLE, OTHER CONTRACTS.** The field CFO or equivalent must ensure that the closeout document requirements are met, the reciprocal accounts of the contractor and DOE are closed, and that the required accounting entries based on the final approved voucher are posted. Specific requirements include the following:

a. **Undelivered Savings Bonds of Contractor Employees.** The field CFO or equivalent shall transmit undelivered savings bonds and bond schedules held by Headquarters or field elements to the Department of the Treasury, Bureau of Public Debt, Washington, DC 20026. The field CFO or equivalent also shall direct any subsequent claim for an undelivered bond to Treasury.

b. **Other Outstanding or Unclaimed Items.** Schedules for other unclaimed items held by Headquarters or the field element should be forwarded to the Chief Financial Officer (CFO). If the contractor has been reimbursed for such items, the amounts shall be refunded to DOE and deposited in the appropriate Treasury deposit fund account (reference Volume I Treasury Financial Manual 6-3000, "Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered"). If DOE assumes any contractor encumbrances under the contract, the contractor will assign to DOE the rights and claims for the items that are or would be reimbursable under the contract.

c. **Insurance.** A determination shall be made by the field CFO or equivalent that credit has been received or otherwise accounted for or assigned to DOE with respect to dividends, returns of premiums, return contributions, or other credits due under any insurance policies.

d. **Pension and Other Post-Contract Employee Benefits.** The field CFO or equivalent shall account for any refunds or credits that may be owed to DOE because of reimbursed pension costs. The HCA, in coordination with the DOE contractor industrial relations office, is responsible for any special pension arrangements or other post-contract employee benefits for a terminating contractor and for ensuring that the pension funds or funds for other post-contract employee benefits are disposed of in accordance with such arrangements.

7. **CONTRACT TRANSFERS.** When it is determined necessary or advantageous to transfer contract administration from one office to another, the receiving office must concur with the transfer and establish a mutually acceptable transfer date. Thereafter, the receiving office must fulfill closeout responsibilities in accordance with Chapter 12, "Inter-Entity Transactions."

8. **SUBCONTRACTS-CLOSEOUT RESPONSIBILITY.** DOE is not responsible for any direct action in the closeout of prime contractor subcontracts unless contract items or other directives require it.

9. **FINANCIAL RETIREMENT.** After completing financial closeout, physical records, documents, and electronic records must be retired.

a. **Physical Record Retirement.** The field CFO or equivalent shall retire accountable officers' records and other formal financial records in accordance with applicable Federal requirements and DOE O 243.1, "Records Management Program."

b. **Electronic Records Retirement.** The field CFO or equivalent shall print or transfer electronic records to a safeguarded electronic medium or microfilm, as appropriate, at the end of the fiscal year and store them in accordance with Federal records retention requirements and DOE O 243.1, "Records Management Program".

c. **Standard Accounting and Reporting System (STARS).** The field CFO or equivalent should close the contract in STARS or, in the case of power marketing administrations, in their accounting systems.

CHAPTER 22

DIRECT LOANS AND LOAN GUARANTEES

1. PURPOSE. This chapter establishes the Department of Energy (DOE) accounting policy and procedures for direct loans and loan guarantees for non-Federal borrowers.

2. APPLICABILITY.

   a. Departmental Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview."

   b. DOE Contractors. This chapter does not apply to contractors.

3. REQUIREMENTS.

   a. Federal Credit Reform Act.

      The policies and procedures for credit programs reflect the requirements of the "Federal Credit Reform Act of 1990 (FCRA)," as amended. The FCRA is found at Title V of the "Congressional Budget Act of 1974," as amended by section 13201 of the "Omnibus Budget Reconciliation Act of 1990," and by section 10117 of the "Balanced Budget Act of 1997," and codified in Title 2, United States Code (USC), Section 661.

      The major purposes of the Act are to: (1) measure more accurately the costs of credit programs; (2) place the cost of credit programs on a budgetary basis equivalent to other federal spending; (3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and (4) improve the allocation of resources among credit programs and between credit and other spending programs. The text of the FCRA is available on the Credit Reform home page, which is maintained by the Department of the Treasury (Treasury). This information is located at: http://www.fms.treas.gov/ussgl/creditreform/index.html on the internet.

   b. Accounting Standards.

      The accounting standards for direct and guaranteed loans concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

      Although direct loans disbursed and outstanding are recognized as assets, and loan guarantees outstanding are recognized as liabilities, they are discussed in this section simultaneously as they are in SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees."

      (1) Post-1991 Direct Loans. Refers to direct loan obligations made on or after the beginning of FY 1992, i.e., after September 30, 1991, and the resulting direct loans. Direct loans disbursed and

outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

(2) Post-1991 Guarantees. Refers to loan guarantee commitments made on or after the beginning of FY 1992, i.e., after September 30, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed. One hundred percent guaranteed loans that are financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees.

(3) Cohort. OMB Circular A-11 states that cohort means all direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year (except as provided below for loan guarantees that are modified). For direct loans and loan guarantees for which a subsidy appropriation is provided for one fiscal year, the cohort will be defined by that fiscal year. For direct loans and loan guarantees for which multi-year or no-year appropriations are provided, the cohort is defined by the year of obligation. Direct loans and loan guarantees that are made from supplemental appropriations will be recorded in the same cohort as those that are funded in annual appropriations acts. These rules apply even if the direct loans or guaranteed loans are disbursed in subsequent years. "Self-pay" programs, defined as direct loan or loan guarantee programs for which no subsidy appropriation has been made, but for which the subsidy cost is paid by the borrower; shall assume that the cohort is the fiscal year in which the direct loan or the loan guarantee has been formally committed and the subsidy has been paid by the borrower.

Cohort accounting applies to post–1991 direct loans and loan guarantees and loan guarantees that have been modified. Post–1991 direct loans or loan guarantees remain with their original cohort throughout the life of the loans, even if they are modified. For purposes of budget presentation, cohorts will be aggregated. However, accounting and other records must be maintained separately for each cohort.

(4) Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. A subsidy expense is recognized for direct or guaranteed loans

disbursed during a fiscal year. The amount of the subsidy expense equals the present value of estimated cash outflows over the life of the loans minus the present value of estimated cash inflows, discounted at the interest rate on marketable Treasury securities of similar maturity to the cash flows of the direct loan or loan guarantee for which the estimate is being made (hereinafter referred to as the applicable Treasury interest rate). Implementation guidance for preparing, utilizing and reporting credit program subsidy costs are provided in "Preparing and Auditing Estimates for Direct Loans and Loan Guarantees," Federal Financial Accounting and Auditing Technical Releases 3 and 6, published by the Accounting and Auditing Policy Committee (AAPC) sponsored by FASAB at: http://www.fasab.gov/aapc/technicl.html on the Internet.

(a) For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately among interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

(b) The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

(c) Guarantees of post–1991 loans that are financed by the FFB are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees. The direct loan financing account for these loans will collect and hold the subsidy payment from the program account. This balance, together with interest earnings, will be available to pay the FFB in the event of default by the non-Federal borrower.

(d) The default cost of direct loans or loan guarantees results from any anticipated deviation, other than prepayments by the borrowers, from the payments schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected payment delinquencies and omissions minus net recoveries. Projected net recoveries include the amounts that would be collected from the borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

(e) The present value of fees and other collections is recognized as a deduction from subsidy costs.

(f) Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms.

(5) Subsidy Amortization and Re-estimation. The subsidy cost allowance for direct loans is amortized by the interest method using the interest rate that was used to calculate the present value of the direct loans when the direct loans were disbursed, after adjusting for the interest rate re-estimate. The amortized amount is recognized as an increase (i.e., when effective interest exceeds nominal interest) or decrease (i.e., when nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period times the stated interest rate. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) times the applicable Treasury interest rate.

(a) Interest is accrued and compounded on the liability for loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities when the guaranteed loans were disbursed, after adjusting for the interest re-estimate. The accrued interest is recognized as interest expense.

(b) Credit programs should re-estimate the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees as required in SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees." There are two kinds of re-estimates: (1) interest rate re-estimates, and (2) technical/default re-estimates. Entities should measure and disclose each program's re-estimates in these two components separately. An increase or decrease in the subsidy cost allowance or loan guarantee liability resulting from the re-estimates is recognized as an increase or decrease in subsidy expense for the current reporting period.

1 An interest rate re-estimate is a re-estimate due to a change in interest rates from the interest rates that were assumed in budget preparation and used in calculating the subsidy expense to the interest rates that are prevailing during the time periods in which the direct or guaranteed loans are disbursed. Credit programs may need to make an interest rate re-estimate for cohorts from which direct or guaranteed loans are disbursed during the reporting year. If the assumed interest rates that were used in calculating the

subsidy expense for those cohorts differ from the interest rates that are prevailing at the time of loan disbursement, an interest rate re-estimate for those cohorts should be made as of the date of the financial statements.

2 A technical/default re-estimate is a re-estimate due to changes in projected cash flows of outstanding direct loans and loan guarantees after reevaluating the underlying assumptions and other factors that affect cash flow projections as of the financial statement date, except for any effect of the interest rate re-estimates explained in (1) above. In making technical/default re-estimates, reporting entities should take into consideration all factors that may have affected various components of the projected cash flows, including defaults, delinquencies, recoveries, and prepayments. The technical/default re-estimate should be made each year as of the date of the financial statements.

(6) Criteria for Default Cost Estimates. The criteria for default cost estimates apply to both initial estimates and subsequent re-estimates. Default costs are estimated and re-estimated for each program on the basis of separate cohorts and risk categories. The re-estimates take into account the differences in past cash flows between the projected and realized amounts and changes in other factors that can be used to predict the future cash flows of each risk category.

(a) In estimating default costs, the following risk factors are considered:

1 loan performance experience;

2 current and forecasted international, national, or regional economic conditions that may affect the performance of the loans;

3 financial and other relevant characteristics of borrowers;

4 the value of collateral to loan balance;

5 changes in recoverable value of collateral; and

6 newly developed events that would affect the performance of the loan.

Improvements in methods to re-estimate defaults also are considered.

(b) Each credit program shall use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts with significant amounts carry a high weight in risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

(c) The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a database shall be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

(7) Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to Treasury is recognized as interest expense. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expense. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees. Costs should be recognized as directed in SFFAS No. 4, "Managerial Cost Accounting Standards and Concepts." Fees should be assessed as directed in OMB Circular A-25, "Fees Assessed for Government Services, revised."

(8) Modification of Direct Loans and Loan Guarantees. The term "modification" means a federal government action, including new legislation or administrative action that directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

(a) Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are considered re-estimates, or workouts as defined below, or are permitted under the terms of existing contracts.

(b) Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of

direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

(c) The term "modification" does not include subsidy cost re-estimates, the routine administrative workouts of troubled loans, and actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent re-estimates.

(9) Modification of Direct Loans. With respect to a direct or indirect modification of post-1991 direct loans, the cost of modification is the excess of the pre-modification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

(a) When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan's maturity. That amount is discounted at the original discount rate (the rate that originally was used to calculate the present value of the direct loan, when the direct loan was disbursed).

(b) The changes in the book value of post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification normally will differ due to the use of different discount rates or different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

(10) Modification of Loan Guarantees. With respect to a direct or indirect modification of post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the pre-modification liability of those loan guarantees. The modification cost is recognized as modification expense when the loan guarantees are modified.

(a) The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time

of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed).

(b) The change in the amount of liability of post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

(c) For those performing direct loans or loan guarantees that are part of a "self-pay" program and that are modified at the request of the borrower or upon mutual agreement of the borrower and the issuing/guaranteeing agency, any increase in subsidy amount shall be paid by the borrower.

(d) For those direct loans or loan guarantees that are part of a "self-pay" program and that are modified as the result of a borrower default and a subsequent restructure of the loan or guarantee terms, any increase in subsidy as the result of a re-estimate shall be paid utilizing funds from Treasury under the permanent and indefinite authority of the restructuring agency.

(11) Sale of Loans. The sale of post-1991 direct loans is a direct modification.

(a) The cost of modification is determined on the basis of the pre-modification value of the loans sold. If the pre-modification value of the loans sold exceeds the net proceeds from the sale, the excess is the cost of modification, which is recognized as modification expense.

(b) For a loan sale with recourse, potential losses under the recourse or guarantee obligations are estimated, and the present value of the estimated losses from the recourse is recognized as subsidy expense and as a loan guarantee liability when the sale is made.

(c) The book value loss (or gain) on a sale of direct loans equals the existing book value of the loans sold minus the net proceeds from the sale. Since the book value loss (or gain) and the cost of modification are calculated on different bases, they will normally differ. Any difference between the book value loss (or gain) and

the cost of modification is recognized as a gain or loss. For sales of post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

(12) Reconciliation and Disclosure. The SFFAS No. 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees," requires a reconciliation and additional disclosures. Federal agencies are required to display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees reported in the entities' balance sheet. Agencies should also:

(a) provide a description of the characteristics of the programs that they administer, and should disclose for each program: the total amount of direct or guaranteed loans disbursed for the current reporting year and the preceding reporting year; the subsidy expense by components recognized for the direct or guaranteed loans disbursed in those years, and the subsidy re-estimates by components for those years,

(b) disclose, at the program level, the subsidy rates for the total subsidy cost and its components for the interest subsidy costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for direct loans and loan guarantees in the current year's budget for the current year's cohorts,

(c) events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re estimates, and

(d) events and changes in conditions that have occurred and are more likely than not to have a significant impact but the effects of which are not measurable at the reporting date.

(13) Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as a compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at the present value of its estimated future net cash inflows discounted at the original discount rate.

(14) Write-off of Direct Loans. When post-1991 direct loans are written off, the unpaid principal of each loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts shall have been reflected in the subsidy cost allowance through the subsidy cost estimate or re estimates. Therefore, the write-off would have no effect on expenses.

b. Credit Reform Fund Controls.

For credit programs, systems for administrative control of funds are required to include the following features:

(1) Restrict both obligations and expenditures from each program account, financing account, and liquidating account to the lesser of:

(a) the amounts available for administrative expenses, direct loan subsidies, direct loan levels, guaranteed loan levels, and any limitations specified in law; or

(b) the amounts apportioned for the amounts specified above.

(2) Enable the fixing of responsibility for an obligation or expenditure exceeding the categories specified above.

(3) Simultaneously determine, at the obligation stage for direct loans and at the commitment stage for guaranteed loans, whether sufficient budget authority for the subsidy exists in the program account and whether a sufficient unused loan level limit exists in the financing account.

c. Recording Obligations, Disbursing Loans, And Re-estimating Subsidies.

Obligation of subsidy shall be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, section 185, "Federal Credit." Subsidy funds shall be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower or when the guaranteed loan is disbursed to the borrower by the third-party lender. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority

is available to fund the increase, pursuant to section 504(f) of the FCRA. If the subsidy amount decreases, a payment shall be made to a receipt account.

d. Borrowing from Treasury.

The FCRA provides indefinite borrowing authority to financing accounts to fund the unsubsidized portion of direct loans and to satisfy obligations in the event the financing account's resources are insufficient. For direct loan financing accounts, each loan disbursement is financed by the subsidy cost payment from the program account, fees where applicable, and borrowing from Treasury.

For loan guarantees, the financing account may borrow from Treasury when balances in the financing account are insufficient to pay claims. These borrowings generally occur on an as-needed basis.

If a direct loan or loan guarantee program or risk category generates negative subsidy cost, the financing account must borrow from Treasury to cover the payment to the negative subsidy receipt account.

All borrowing is dated October 1 regardless of whether it is the original amount borrowed at the beginning of the year or a supplementary amount borrowed later in the year. As a result of treating the entire amount as a single borrowing, interest expense is not affected by whether all borrowed funds were disbursed or whether the original borrowing had to be supplemented later in the year.

e. Computation of Interest Expense and Interest Income.

(1) Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs.

(a) Interest expense in a direct loan program results from borrowing from the Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources--subsidy transfer and borrowing from the Treasury.

(b) A single borrowing from the Treasury may be made at the beginning of each fiscal year, separately for each cohort on the basis of the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the Treasury. (The undisbursed balance of Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the Treasury.

(2) Frequency of Interest Computations. The OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that currently are disbursing shall be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by the OMB and Treasury. In those few programs that have a strong seasonal pattern, the OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

(3) Weighted Average Interest Rate. The FCRA provides that the interest rate for borrowing shall be assigned on the basis of the Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year, until 90 percent of the disbursements from the cohort have been made. Each year the current year average annual interest rate is weighted by current year disbursements and merged with the prior year's weighted average to calculate a new weighted average. These computations are included in the OMB's electronic worksheets for calculating financing account interest. Those worksheets calculate interest expense for borrowing from Treasury and interest income from Treasury on uninvested funds in the financing account.

(4) Procedures for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts. Detailed instructions for calculating interest due to and due from Treasury are provided in Volume 1, Part 2, Chapter 4600 of the TFM, available at: http://www.fms.treas.gov/tfm/vol1/index.html on the Internet.

f. Reporting.

(1) DOE must produce external reports required by OMB and Treasury, including those associated with the FCRA and the Chief Financial Officers Act of 1990. DOE must also conform to IRS reporting requirements for interest received and miscellaneous income. In addition, direct and guaranteed loans are reported on the DOE consolidated financial statements.

(2) Reporting requirements, instructions, and background information are available on the Internet at web sites maintained by the Treasury, the OMB, the FASAB, the AAPC of the FASAB.

g. U.S. Government Standard General Ledger (USSGL) Accounts

The USSGL accounts and definitions established to account for direct and guaranteed loans are listed in TFM, Supplement No. S2, USSGL. The USSGL and additional guidance on Credit Reform Accounting is available at: http://www.fms.treas.gov/ussgl/index.html on the Internet.

4. RESPONSIBILITIES.

a. Chief Financial Officer. Oversees all financial management activities related to the Loan Programs as directed by DOE Order 520.1A, Chief Financial Officer Responsibilities.

b. Director, Loan Programs Office. Operates the Loan Program in compliance with financial policy, procedures, and guidance promulgated by DOE as directed in this chapter.

5. REFERENCES.

a. Debt Collection Improvement Act of 1996 (Public Law 104-134, chapter 10, section 31001) (DCIA) available on the internet at http://fms.treas.gov/debt/regulations.html;

b. Title XVII of the Energy Policy Act of 2005 (Public Law 109-58), as amended, and codified at 42 USC 16511-16516;

b. DOE's overall loan guarantee program regulations (10 CFR 609) available on the internet at http://lpo.energy.gov;

c. Relevant provisions contained in the Government Accountability Office (GAO) Accounting Principles, Standards, and Requirements;

d. Office of Management and Budget (OMB) Circular A-11, "Preparation and Submission of Budget Estimates," section 185, "Federal Credit" available on the internet at http://www.whitehouse.gov/omb/circulars/index.html;

e. OMB Circular No. A-129, "Policies for Federal Credit Programs and Non-Tax Receivable";

f. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 2, "Accounting for Direct Loans and Loan Guarantees"; SFFAS No. 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2"; and SFFAS No. 19, "Technical Amendments to Accounting Standards for Direct Loans and Loan

Guarantees in SFFAS No. 2" available on the internet at http://www.fasab.gov/codifica.html;

g. Treasury Financial Manual (TFM), Chapter 4600, Treasury Reporting Instructions for Credit Reform Legislation (I TFM 2-4600) available on the internet at http://fms.treas.gov/tfm/vol1/index.html;

h. Supplemental guidance set forth in the Treasury/Financial Management Service (FMS), "Managing Federal Receivables" available on the internet at http://fms.treas.gov/debt/Guidance_MFR.html.

6. DEFINITIONS.

a. Direct Loan. A direct loan is a disbursement of funds by the government to a non-Federal borrower under a contract that requires the repayment of such funds within a certain time, with or without interest. The term includes the purchase of, or participation in, a loan made by another lender.

b. Loan Guarantee. A loan guarantee is defined as any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares or other withdrawable accounts in financial institutions.

CHAPTER 23
STATEMENT OF COSTS INCURRED AND CLAIMED

1. **INTRODUCTION AND PURPOSE.** This chapter serves to provide the financial management requirements and responsibilities for preparing and reporting the Statement of Costs Incurred and Claimed.

(a) **Requirements and Applicability**

(1) The Statement of Costs Incurred and Claimed (SCIC), is prepared and certified by DOE's integrated contractors annually after they have submitted their financial statements and related information to their cognizant field elements (Attachment 23-1). This requirement applies to individual DOE contracts that include the contract clause at 48 CFR 970.5232-2 (alternate iii). The costs reported on this statement should be consistent with the contractors' financial statements. The SCIC form is provided as an attachment to this chapter; detailed descriptions of the SGL accounts listed on the form are kept by the Office of Financial Controls and Reporting. Deviations from the form and procedures established by this chapter must be approved by the cognizant contracting officer.

(2) The Statement of Costs Incurred and Claimed is not a payment voucher. It is the contractor's accounting for all costs incurred for the year covered by the Statement. By submission of the Statement, the integrated contractor summarizes its costs incurred during the year specified

(3) The Statement of Costs Incurred and Claimed serves as the contractor's claim and certification that the contractor's costs it covers have been incurred and (to the best of the Certifying Official's knowledge and belief) are allowable, allocable, and reasonable (hereinafter referred to as allowable) under the contract.

(b) **Role of Integrated Contractors.** Integrated contractors record and report financial and accounting data resulting from the operation of DOE-owned or DOE-controlled laboratories, facilities and sites, including those under the oversight of the National Nuclear Security Administration (NNSA). The operational relationship has the following characteristics: (1) the contractor is reimbursed by DOE for allowable costs incurred; (2) the contractor ensures the proper use of public funds; and (3) the contractor maintains accounts integrated with the DOE SGL accounts that are self-balancing when reported periodically through the DOE accounting systems.

(c) **Non-Integrated Management and Operating Contractors.** The guidance in this chapter specifically applies to contractors with integrated accounting. Non-integrated management and operating contractors should provide a Statement of Costs Incurred and Claimed as required by the terms of their contracts and guidance provided by the contracting officer.

2. **REVIEW AND APPROVAL OF COSTS INCURRED**. DOE's approval of the contractor's Statement of Costs Incurred and Claimed constitutes the DOE's acknowledgment that the net costs incurred are believed to be allowable under the contract and that those costs have been recorded in the accounts maintained by the contractor in accordance with its contract's terms. DOE's approval is completed only after all appropriate signatures have been obtained on the contractor's Statement of Costs Incurred and Claimed. This approval does not relieve the contractor of responsibility for DOE's assets in its care, for appropriate subsequent adjustments, or for errors later becoming known to the Department. The process for the contractor's submission and DOE's review and approval of contractor's Statement of Costs Incurred and Claimed is as follows:

(a) **Preparation and Submission of the Statement of Costs Incurred and Claimed.** The contractor prepares the Statement of Costs Incurred and Claimed as of September 30 each year and submits it to the DOE Contracting Officer no later than November 15 of each year. The Contractor shall certify the Statement of Costs Incurred and Claimed subject to the penalty provisions for unallowable costs as stated in sections 306(b) and (i) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 256), as amended.

Upon receipt, the Contracting Officer provides a courtesy copy to the Inspector General (IG) for assessment planning purposes.

(b) **Review by the Field CFO and Contracting Officer.** The Contracting Officer signs as well as obtains the Field CFO's signature on the original Statement of Costs Incurred and Claimed.

(1) In signing, the Field CFO and the Contracting Officer attest that the contractor has established a system of controls adequate to minimize the risk of incurring unallowable costs.

(2) The Field CFO and Contracting Officer should perform any review/oversight activities necessary to provide them with reasonable assurance that these controls are in place and working as intended. Any unallowable cost issues are referred to the Contracting Officer for resolution.

(3) The Field CFO will include a corrective action plan for all identified concerns. The corrective action plan should be attached to the signed Statement of Costs Incurred and Claimed.

(4) The Contracting Officer forwards the signed copy of the Statement of Costs Incurred and Claimed to the IG in accordance with the schedule outlined in section 3.

(c) **Inspector General Assessment of Costs Incurred and Claimed.** In accordance with the Cooperative Audit Strategy, the IG will annually perform an assessment of the Statements of Costs Incurred and Claimed for the ten contractors who incur and claim the most costs annually. The remaining contractor Statements of Costs Incurred and Claimed will be reviewed by the IG on an agreed upon rotational basis. The IG will not begin

assessment work until receipt of the signed copy of the Statement of Costs Incurred and Claimed.

In conducting its assessment of the Statement of Costs Incurred and Claimed, the IG:

(1) Assesses the contractor's internal control structure to assure costs claimed and reimbursed by the Department are allowable under the contract; and,
(2) Assesses the work of the contractor's internal audit staff, specifically with regard to the allowability of costs claimed by the contractor.
(3) Prepares a final report based on this assessment identifying any reportable conditions and/or IG recommendations

Based on the results and following completion of the assessment work, the IG will issue a report on the contractor's Statement of Costs Incurred and Claimed.

The IG signs the Statement of Costs Incurred and Claimed if it finds no material internal control weaknesses or findings. The IG will disclose any questioned costs identified by its review on the form.

When the IG performs assessments of costs incurred and claimed on a rotational basis, the assessments cover the multi-year period that has elapsed since its most recent prior assessment at that site.

(d) **Resolution of Questioned Costs.** After receipt of the IG's assessment report, the Contracting Officer is responsible for resolving any questioned costs when appropriate and assessing any associated penalties.

The Contracting Officer will ensure that any disallowed costs are reflected on the Statement of Costs Incurred and Claimed form in the "Contracting Officer Adjustments" column

(e) **DOE's Approval of the Statement of Costs Incurred and Claimed**. After resolution of questioned costs, the DOE Site Manager and Contracting Officer will approve the contractor's Statement of Costs Incurred and Claimed. Approval will constitute acknowledgment by DOE that the net costs incurred are allowable under the contract and that they have been recorded in the accounts maintained by the contractor in accordance with the contract terms. The Contracting Officer will provide copies of the approved form to the contractor, the Field CFO, and the Inspector General.

DOE's approval of the Statement of Costs Incurred and Claimed does not relieve the contractor of responsibility for DOE's assets in its care, for appropriate subsequent adjustments, or for errors later becoming known to DOE.

(f) **Accounting Adjustments**. Upon receiving the final "Statement of Costs Incurred and Claimed," the Field CFO ensures that accounting adjustments for disallowed costs are recorded.

(g) **Contractors that are not scheduled for an Annual Assessment by the IG**. Contractors must prepare and submit Statements of Costs Incurred and Claimed annually to the Contracting Officer in accordance with contract terms and conditions. The Field CFO and Contracting Officer should review and sign the statements annually, even when the IG does not perform an assessment of the costs incurred and claimed in the current year.

IG assessments conducted on a rotational basis cover the multi-year period that has elapsed since the most recent prior IG assessment. The resolution of questioned costs identified by the IG and final Departmental approval of the costs incurred and claimed will not be accomplished until the IG has completed its assessment of the period in which the costs were incurred and claimed.

3. SCHEDULE. The schedule for the annual review and approval of the Statement of Costs Incurred and Claimed is as follows:

(a) 11/15 - Statement of Costs Incurred and Claimed submitted by the contractor to the Contracting Officer.

(b) 11/15 to 12/31 - Review of Statement of Costs Incurred and Claimed by the Field CFO and the Contracting Officer.

(c) 12/31 - Contracting Officer forwards a copy of the Statement of Costs Incurred and Claimed signed by the Field CFO and Contracting Officer to the IG.

(d) Within timeframes established by the IG's assessment schedule, the IG returns the reviewed and signed Statement of Costs Incurred and Claimed along with the assessment report to the Contracting Officer.

(e) After completion of the IG assessment, the Contracting Officer will promptly resolve any questioned costs and assess penalties for unallowable costs as appropriate.

(f) Within 30 days of a Contracting Officer determination of disallowed costs, the Field CFO shall verify that appropriate accounting adjustments costs are recorded.

ATTACHMENT 23-1
STATEMENT OF COSTS INCURRED AND CLAIMED

Statement of Costs Incurred and Claimed under Contract Number _____
For the period beginning _____ and ending _____

		Contractor Costs Incurred	Contracting Officer Adjustments	Total Adjusted Costs
1.	Operating Expenses/Program Costs (61000000)	_____	_____	_____
2.	Integrated Contractor Cost Overruns and Undistributed Costs (61009900)	_____	_____	_____
3.	Other Interest Expenses (63300000)	_____	_____	_____
4.	Cost of Goods Sold – Budgeted – B&R WN and CB (6500F000)	_____	_____	_____
5.	Purchases of Capitalized PP&E (88020100)	_____	_____	_____
6.	Financing for Previously Unfunded Capital Lease PP&E (88020500)	_____	_____	_____
7.	Purchase of Capitalized Inventories (88030200)	_____	_____	_____
8.	Purchase of Funded Inventory (88030300)	_____	_____	_____
9.	Purchase of Other Assets (88040900)	_____	_____	_____
	Costs Incurred and Claimed (Total)	_____	_____	_____

Note: Detailed information on the individual SGLs listed above is retained by the CFO Office of Financial Controls and Reporting.

Signatures:

Subject to the False Claims Act (31 U.S.C. § 3279 et seq) I certify that, to the best of my knowledge and belief, the Costs Incurred and Claimed are allowable in accordance with the terms of the subject contract and applicable laws and regulations.

_____ _____
Manager, Integrated Contractor Date

The contractor has established a system of controls adequate to minimize the risk of incurring unallowable costs. Additionally, our review of the contractor's Statement of Costs Incurred and Claimed has disclosed no unallowable costs except for any noted adjustments. The above statements do not constitute final approval or settlement of costs.

_____ _____
Field Chief Financial Officer Date Contracting Officer Date

Questioned costs disclosed by the Inspector General $_____,.

_____
Office of Inspector General Date

Approved by the U.S. Department of Energy in the amount of $_____subject to future audit.

_____ _____
Contracting Officer Date Field Office Manager or Head of Contracting Activity Date