CHAPTER 1

FINANCIAL MANAGEMENT HANDBOOK OVERVIEW

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I. INTRODUCTION - PURPOSE, SCOPE, AND AUTHORITIES

I.A. Statutory Authorization

The Financial Management Handbook (Handbook) is issued consistent with the authority and functions of the Chief Financial Officer (CFO) specified in the Chief Financial Officers Act of 1990 (CFO Act),[1] including the authority to "direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations."

I.B. DOE Financial and Accounting Policy

As specified in Department of Energy (DOE or Department) Order 520.1B Change (Chg) 1, *Financial Management and Chief Financial Officer Responsibilities,* the Handbook sets forth Departmental policy on financial and accounting standards and operational requirements apart from the formal directives system in accordance with the Equivalencies and Exemptions section (section 3.c.) of DOE Order 251.1D Chg1, *Departmental Directives Program*, (or successor policy).

I.C. Budget Policy

As specified in DOE Order 130.1A, *Budget Planning, Formulation, Execution and Departmental Performance Management,* the Handbook contains budget execution requirements and guidance and contains the Department's policy regarding the administrative control of funds, as required by Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission and Execution of the Budget.*

II. APPLICABILITY

II.A. General Applicability to DOE Departmental Elements

Unless otherwise noted, the provisions of this Handbook apply to all Departmental elements. Individual chapters may include a more specific applicability section relevant to the specific chapter.

II.B. Specific Applicability

II.B.1. The National Nuclear Security Administration (NNSA)

The Administrator of 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 NNSA-specific policies, unless disapproved by the Secretary.

II.B.2. The Joint Navy/DOE Naval Nuclear Propulsion Program

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 will implement and oversee requirements and practices pertaining to this Handbook for activities under the Deputy Administrator's cognizance, as deemed appropriate.

II.B.3. The Federal Energy Regulatory Commission (FERC)

FERC is part of the DOE financial reporting entity and follows applicable DOE accounting and financial reporting requirements specified in the Handbook.

FERC also receives its funding through an allotment from the DOE CFO, and thus follows applicable budget execution guidance contained in the Handbook.

II.B.4. DOE Contractors

The provisions of the Handbook apply to site/facility management contractors and other major contractors performing work for the Department as provided by contract. DOE Order 520.1B Chg1 contains specific provisions relating to the inclusion of the Handbook in DOE contracts.

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.

Attachment 1 contains a list of the Handbook's chapters and their general relevance to contractors.

II.C. Exclusion

The Bonneville Power Administration (BPA) operates in accordance with generally accepted accounting principles issued by the Financial Accounting Standards Board (FASB). BPA is exempt from the provisions of this Handbook consistent with paragraph 3.c.(3) of DOE Order 520.1B Chg 1 (or successor policy).

III. CFO POLICY FRAMEWORK

Type of Policy	Scope	Applicability
DOE Regulations	Financial Policy topics affecting the public - e.g. 10 CFR 1009, *Pricing* and 10 CFR 1015, *Collection of Claims*	• Public • DOE Federal Offices • DOE Contractors
DOE Orders & Directives	Financial management responsibilities for other DOE offices and establishes: • Designated Financial Officers • Budget Execution Officer • Budget Planning Officer • Internal Control Action Officer	• DOE Federal Offices • DOE Contractors—when there is a Contractor Requirements Document, and/or when required by the contract
Delegations	Authority for the CFO to perform certain functions of the Secretary. These authorities may be re-delegated to others in the CFO office. Delegations and re-delegations are found on the DOE Directives website.	DOE CFO
Financial Management Handbook	Detailed requirements relating to Budget, Accounting, and Financial Reporting	• DOE Federal Offices • DOE Contractors
CFO Memoranda	Used sparingly to provide temporary guidance—must contain a sunset date All legacy memoranda not maintained on the current CFO iPortal page are rescinded	Defined by the memo
Annual Guidance Documents	Budget Guidance (CF-30): Enabled by DOE Order 130.1A Internal Controls and Risk Management (CF-10): Enabled by DOE Order 520.1B Chg1 Payment Integrity (CF-10): Enabled by DOE Order 520.1B Chg1	• DOE Federal Offices • DOE Contractors

IV. FINANCIAL MANAGEMENT HANDBOOK ORGANIZATION

Chapters	*Topics*
Chapter 1	Handbook Overview
Chapters 2-3	Budget Topics
Chapters 4-11	Accounting
Chapters 12-13	Internal and External Reimbursable Transactions
Chapter 14	Financial Assistance
Chapter 15	Cost Accounting
Chapters 16-22	Specialized Topics

V. FINANCIAL MANAGEMENT HANDBOOK ADMINISTRATION

V.A. Responsibilities

V.A.1. Deputy Chief Financial Officer

V.A.1.i. Approval of Updates

The Deputy CFO approves or disapproves substantive updates to the Handbook.

V.A.1.ii. Policy Requirements

The Deputy CFO identifies required policy updates to be incorporated into the Handbook, as appropriate.

V.A.1.iii. Approval of Exemptions

Exemptions to the provisions of the Handbook may be approved in writing by the Deputy CFO.

V.A.2. Director, Office of Financial and Audit Management

V.A.2.i. Approval of Updates

Administrative updates to the Handbook are reviewed and approved or disapproved by the Director, Office of Financial and Audit Management.

V.A.2.ii. Interpretations

The Director, Office of Financial and Audit Management, in consultation with affected CFO offices, responds to requests for interpretation of the provisions of the Handbook, or, as appropriate, assigns the appropriate financial analyst to respond to requests for interpretation.

V.A.2.iii. Planning

The Director, Office of Financial and Audit Management, maintains plans to regularly review and update, when necessary, the chapters of the Handbook. The planning process must solicit input from users of the Handbook on necessary revisions.

V.A.2.iv. Review and Comment

The Director, Office of Financial and Audit Management, provides opportunity to review and comment on the Handbook chapters and maintains a current list of financial policy points of contact within each Departmental element.

V.A.3. Designated Financial Officers

V.A.3.i. As required in DOE Order 251.1D Chg1, Designated Financial Officers (DFO) are provided an opportunity to review and comment on substantive updates to the Handbook.

V.A.3.ii. As required in DOE Order 520.1B Chg1, DFOs identify the contracts into which the Contractor Requirements Document (CRD) of DOE Order 520.1B Chg1 must be included and informs the Contracting Officers responsible for those contracts. For nonintegrated contracts, describes reporting requirements of the contractor and relevant provisions of the Handbook. Provides guidance to Contracting Officers on which financial management clauses and financial-management related CRDs should be included in acquisition plans, requests for proposal, or contracts.

V.A.3.iii. As required by DOE Order 520.1B Chg1, DFOs shall provide notice to the relevant Contracting Officer of updates to the Handbook.

V.A.4. Budget Execution Officers

As required by DOE Order 130.1A, Budget Execution Officers help maintain the stewardship of federal funds, serve as the allotment recipient and lead budget execution for the Departmental element.

Budget Execution Officers are provided an opportunity to review and comment on the substantive updates for the budget execution requirements and guidance issued by the Handbook.

V.A.5. Heads of Contracting Activities

As specified in DOE Order 520.1B Chg1, the Head of Contracting Activity verifies that the Contracting Officer, after being informed by the DFO of updates to the Handbook, provides notice to the contractor consistent with the provisions of the laws, regulations, and DOE directives clause of the contract and the CRD of DOE Order 520.1B Chg1.

V.B. Substantive Revisions to the Financial Management Handbook

A substantive revision amends, establishes, or rescinds requirements specified in the Handbook.

V.B.1. Preparation of the Exposure Draft

V.B.1.i. Staff Assignments

The Director, Office of Financial and Audit Management, assigns staff to lead development of draft revisions to the Handbook.

V.B.1.ii. Stakeholder Consultation

Key stakeholders should be consulted during the drafting phase of a new or revised Handbook chapter. Working groups may be established when appropriate, as determined by the Director.

V.B.2. Review and Comment Process

V.B.2.i. Notice of Updates

Notice of the draft Handbook chapter and a summary of the significant proposed changes will be sent to the DFOs, Budget Execution Officers, integrated contractor CFOs, and other policy points of contact maintained by the Director, consistent with the provisions of V.A.2.iv. of this chapter. The notice will describe any proposed substantive changes and the reasons for those changes.

V.B.2.ii. Comment Period

Typically, the review and comment period lasts two weeks. The Director may request comments within a shorter time frame or grant additional time, depending on the complexity of the policy change and the urgency of the policy action.

V.B.2.iii. Resolution of Comments

Financial Direction staff will review and document comments received and make changes to the policy as appropriate.

Whenever feasible, Financial Direction staff will advise the commentor when substantive comments are not being accepted. When changes are made in response to comments received, the track changes version will normally be provided to the relevant commentors for review

V.B.2.iv. Second Exposure Draft

When substantive changes are made to the exposure draft, the Director may determine that a second exposure draft will be provided for review and comment.

V.B.3. Final Approval

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

After Deputy CFO approval, the revised Handbook chapter will be posted on the appropriate CFO website with notification to the financial policy points of contact.

V.C. Administrative Revisions to the Financial Management Handbook

V.C.1. Review and Comment

Administrative updates may be provided for review and comment prior to approval at the discretion of the Director. Comments will be resolved by Financial Direction staff, in coordination with the Director and the commentor, as needed.

V.C.2. Final Approval

An administrative revision clarifies existing policy but does not create a substantive change to the policy. Administrative revisions are approved by the Director.

VI. KEY FINANCIAL MANAGEMENT POLICY SOURCES

Source	*Key Provisions*	*Mandatory*
Statutes	• Codified government-wide statutes in 31 USC—Money and Finance • Codified DOE-specific statutes in 42 USC—the Public Health and Welfare • Codified DOE-specific statutes in 50 USC- War and National Defense	Yes

Source	*Key Provisions*	*Mandatory*
	• Annual Appropriations Acts Annual Authorization Acts (National Defense Authorization Act)	
Congressional Guidance	• House and Senate Appropriations Committee Reports • Appropriations Joint Explanatory Statement • Committee Reports accompanying the National Defense Authorization Act	Not legally required, however, DOE generally follows Congressional guidance.
Government-wide Regulations	• 31 CFR Chapter 9—Federal Claims Collection Standards • 48 CFR Chapter 1—Government-wide Federal Acquisition Regulations (FAR) • 48 CFR Chapter 99—Cost Accounting Standards • 2 CFR Chapter 2—Government-wide Financial Assistance regulations (Uniform Guidance)	Yes—unless superseded by a DOE-specific regulation or exemption (e.g. DOE Acquisition Regulations adding to FAR requirements)
DOE-Specific Regulations	• 10 CFR—Energy • 2 CFR Chapter 9—DOE specific Financial Assistance regulations • 48 CFR Chapter 9—DOE Acquisition Regulations (DEAR)	Yes
OMB Circulars	• Circular A-11 Preparation, Submission and Execution of the Budget • Circular A-50 Revised Audit Follow Up • Circular A-123 Management's Responsibility for Enterprise Risk Management and Internal Control • Circular A-134 Financial Accounting Principles and Standards Circular A-136 Financial Reporting Requirements – Revised	Yes—unless DOE-specific exemptions apply
Executive Orders & Other Executive Direction on financial management	Various	Yes

Source	*Key Provisions*	*Mandatory*
Treasury Financial Manual (TFM)	Volume 1—Federal Agencies	Yes – When adopted by DOE policy, or when applicable to DOE use of Treasury systems and processes
GAO Principles of Federal Appropriations Law (Red Book)	Three-volume work consisting of 15 chapters	GAO legal opinions are advisory, not mandatory. However, the Department follows GAO legal guidance except where more specific guidance is provided by DOE General Counsel. DOE must follow the legal guidance of DOE General Counsel on matters of appropriations law.
Federal Accounting Standards Advisory Board (FASAB)	FASAB is the body that regulates generally accepted accounting principles (GAAP) for the Federal government by setting accounting standards for Federal government entities.	Yes
Financial Accounting Standards Board (FASB)	FASB is a private standard-setting body whose primary purpose is to establish and improve GAAP within the United States. The Securities and Exchange Commission (SEC) designated FASB as the organization responsible for setting accounting standards for public companies in the U.S. All FASB accounting standards have been aggregated into the GAAP codification known as the Accounting Standards Codification (ASC).	Yes—for Power Marketing Administration Public Utilities Reporting Yes—when adopted by DOE policy for accounting provisions not addressed by FASAB standards (e.g., private-sector pensions reporting)

VII. DEFINITIONS

VII.A. Administrative Update

An administrative update clarifies the requirements specified in the Handbook but does not amend, rescind, or establish requirements.

VII.B. Director

When used in this chapter, Director refers to the Director of the Office of Financial and Audit Management, or successor position.

VII.C. Departmental Element

A separately organized unit within DOE, consistent with the current DOE organizational structure. For purposes of this Handbook, the following also represent Departmental elements:

The joint Navy/DOE Naval Nuclear Propulsion Program
The Federal Energy Regulatory Commission

VII.D. Substantive Revision

A substantive revision amends, establishes, or rescinds requirements specified in the Handbook.

VII.E. Shall

When used in the Handbook, “shall” indicates a requirement and has the same meaning as “must.”

VII.F. Should

When used in the Handbook, “should,” normally does not establish a requirement but rather indicates a best practice that is strongly recommended. Note, older Handbook chapters may not always adhere to this usage.

ATTACHMENT 1 – SUMMARY OF CONTRACTOR APPLICABILITY OF FINANCIAL MANAGEMENT HANDBOOK CHAPTERS

Chapter #	Chapter Name	Applicable to M&O and Integrated Contractors	Applicable to Non- Integrated Major Site Facility Management Contractors
1	Financial Management Handbook Overview	Yes	Yes
2	Administrative Control of Funds	No	No
2.3	Minor Construction	Yes	Yes
2.4	Major Items of Equipment	Yes	Yes
3	Budget Execution Topics and Accounting for Appropriations	No	No
4	Accounting Systems and Organization	Yes	Yes
5	Accounting for Obligations	No	No
6	Payments and Cash Management Activities	Yes	Potential**
7	Advances, Prepaid Expenses, and Other Assets	Yes	Potential**
8	Receivables and Debt Collection	Yes	Potential**
9	Accounting for Inventory and Related Property	Yes	Potential**
10.1	Accounting for Property, Plant and Equipment	Yes	Potential**
10.2	Lease Accounting	Yes	Potential**
11	Liabilities	Yes	Potential**
12	Inter-Entity Work Between DOE Organizations	Yes	Yes
13.1	Reimbursable Work and Interagency Agreements	Yes	Yes
13.2	Collections	Yes	Potential**
14	Financial Assistance and Technology Investment Agreements	No	No
15.1	DOE Application of Cost Accounting Standards	Yes	Potential**

Chapter #	Chapter Name	Applicable to M&O and Integrated Contractors	Applicable to Non- Integrated Major Site Facility Management Contractors
15.2	Laboratory, Plant, and Site Directed Research and Development	Yes	No
15.3	Production Cost Accounting	Yes	Potential**
15.4	Reinvestment of Sustainability Proceeds	Yes	Potential**
15.5	Work Stoppages	Yes	Yes
16	Payroll Accounting	No	No
17	Reserved	N/A	N/A
18	Financial Management of Contractor Royalties and Other Licensing Income	Yes	No
19	Nuclear Waste Fund	Potential**	Potential**
20	Uranium Enrichment Decontamination & Decommissioning Fund	No	No
21	Financial Closeout	Indirect*	Indirect*
22	Direct Loans and Loan Guarantees	No	No

Notes:
* **Indirect** indicates that the chapter does not impose direct requirements on the contractor, but requirements imposed for Federal offices may require information or support from contractors.
** **Potential** indicates that the applicability to a specific contractor will be determined on a case-by-case basis by the cognizant Designated Financial Officer and specific contract language and requirements.

[1] Section 205(a) of the Chief Financial Officers Act of 1990, as codified in 31 U.S.C. 902.

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 2.3
MINOR CONSTRUCTION

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I. INTRODUCTION

I.A. Purpose

This chapter providers the Department's policy on budgetary notifications for minor construction projects.

I.B. Applicability

This policy applies to all Departmental elements and contractors, including the National Nuclear Security Administration (NNSA).[i] The policy applies to all Department of Energy (DOE) minor construction projects, including those funded by both defense and non-defense authorized funds.

The application of minor construction limitations to non-defense authorized funding is consistent with the direction contained in the FY 2023 Joint Explanatory Statement of the House and Senate appropriations committees.[ii] It also helps ensure compliance with separate notification requirements contained in 42 USC 5821(b)(2), which requires notification for research facilities constructed not at a DOE facility utilizing appropriations subject to an annual authorization act.[iii]

I.C. Exclusions

This policy does not apply to leases of property; land-only acquisitions; purchases of capital assets; or construction performed by DOE and DOE contractors that is wholly funded by sponsors of Strategic Partnership Projects (SPP)[iv].

The budgetary notification requirements in this chapter do not apply to the acquisition of existing real property. Approval to acquire existing real property must follow the requirements set forth in DOE Order 430.1C, *Real Property Asset Management.*

I.D. Compliance

Noncompliance with legal requirements referenced in this policy could result in violations of the Anti-Deficiency Act (31 USC §§ 1341(a)(1)(A), 1341(a)(1)(B); and 1342, 1517(a)).[v]

II. POLICY AND REQUIREMENTS

II.A. General Requirements

II.A.1. Minor Construction Project Definition

As defined in 50 USC 2743, a minor construction project means any plant project not specifically authorized by law for which the total estimated cost does not exceed the minor construction threshold (see II.A.3 of this chapter). This policy adopts the

definition contained in 50 USC 2743 for all Departmental elements.

Minor construction projects include all projects referred to as General Plant Projects (GPPs); Institutional General Plant Projects (IGPPs); and Accelerator Improvement Projects (AIPs) in other DOE policies, in statute, or in Congressional report language.

II.A.2. Cost Limitations

A minor construction project's total estimated cost (TEC) must not exceed the minor construction threshold. Construction projects with a TEC greater than the minor construction threshold are considered line-item projects. Funding for line-item projects must be requested in the President's Budget Request to Congress as visible and uniquely numbered line-items.

A minor construction project must have a clear project definition, be complete, and fulfill the intended need without additional expenditures. Minor construction projects must not be incremental segments of larger projects or other minor construction projects.

II.A.3. Minor Construction Threshold

The minor construction threshold in effect as of February 9, 2024, is $34 million.

The threshold applicable to a specific project is the threshold in effect as of the date of the most recent Congressional notification. An increased threshold can be applied to a minor construction project with appropriate Congressional notification or reporting (see scenario 2 in II.C of this chapter).

The table below shows the minor construction threshold in effect for the current and historical time periods:

Threshold Amount	Effective Dates	Source
$5 million	December 2, 2002, to October 27, 2009	*FY 2003 NDAA* (P.L. 107-314)
$10 million	October 28, 2009, to September 29, 2010	*FY 2010 NDAA* (P.L. 111-84)
$5 million	September 30, 2010, to January 6, 2011	*FY 2010 NDAA* (P.L. 111-84)
$10 million	January 7, 2011, to December 11, 2017	*FY 2011 NDAA* (P.L. 111-383)

Threshold Amount	Effective Dates	Source
$20 million	December 12, 2017, to December 26, 2021	*FY 2018 NDAA* (P.L. 115-91)
$25 million	December 27, 2021, to December 22, 2022	*FY 2022 NDAA* (P.L. 117-81)
$30 million	December 23, 2022, to February 9, 2024	*FY 2023 NDAA* (P.L. 117-263)
$34 million	February 9, 2024, to Current	89 FR 9141 [under the authority of 50 USC 2741(2)(B)]

The National Defense Authorization Act (NDAA) for Fiscal Year 2024 (P.L. 118-31) provided permanent authority to the Administrator of the NNSA (Administrator) to establish an increased minor construction threshold as necessary to account for inflation.[vi]

This policy adopts the minor construction threshold established by the Administrator for all DOE departmental elements. Office of the Chief Financial Officer (OCFO) will administratively update the policy as needed to reflect the current minor construction threshold established by the Administrator.

II.A.4. Construction Design Limitation

The construction design (including architectural and engineering services) in connection with any proposed minor construction project must not exceed $5 million unless specifically authorized by law[vii].

II.B. Congressional Notification Requirements

II.B.1. General Notification Requirement

DOE must notify Congress of a minor construction project with a TEC greater than $5 million and wait 15 calendar days (30 days for a project constructed at a non-DOE installation[viii]) before approval to start the project (i.e., before initiating activities that fall into those that are part of the TEC)[ix].

See Section II.B.2. for additional specific requirements for in-cycle notifications (through the annual budget request) and Section II.B.3. for additional requirements for out-of-cycle notifications.

II.B.2. In-Cycle Notification

Congressional notification for planned minor construction projects must be provided in-cycle through the Congressional budget request. This process satisfies statutory notification requirements of 50 USC 2743(d) and the separate requirement for an annual report required by 50 USC 2743(b).

The Congressional budget request provides notification for both current and future-year planned minor construction projects.

II.B.3. Out-of-Cycle Notification

II.B.3.i. Requirements

Out-of-cycle notification is required when a project with a TEC in excess of $5 million must begin prior to the next Congressional budget request.

II.B.3.ii. Process

Out-of-cycle notifications must be provided through the OCFO Office of Budget. OCFO Office of Budget will review the out-of-cycle notification and provide applicable follow-up questions within five (5) business days of receipt. The OCFO Office of Budget will provide the notice to Office of Management and Budget (OMB) and Congress after Departmental review and approval[x].

Out-of-cycle notices must be provided to the Appropriations Committees in all cases, and the Defense Committees for Departmental Elements receiving appropriations authorized by the NDAA (050 appropriations accounts)[xi].

II.C. Cost Growth Notification and Reporting Requirements

Scenario	Required Notification or Reporting	Congressional Notification or Reporting Mechanism (In-cycle vs. Out-of-cycle)
1. Revised TEC is: (1) More than $5 million AND (2) Original TEC is $5 million or less AND (3) The project was not included in a previous Congressional budget request	Congressional notification is required for all minor construction projects with a TEC above $5 million.	Out-of-cycle notification required when construction is ongoing or must begin prior to the next Congressional budget request. Follow the process outlined in II.B.3.ii of this policy. There is no requirement to stop work pending issuance of the out-of-cycle notice. If construction will not begin before the next Congressional budget request, provide in-cycle notification.
2. Revised TEC is: (1) More than the Minor Construction Threshold in effect when the most recent Congressional notification was made AND (2) Less than the Current Minor Construction Threshold	Cost growth reporting required.	Reporting in-cycle through the next Congressional budget request
3. Revised TEC is more than the current Minor Construction Threshold	Notification to OCFO Office of Budget must be provided within 10 business days of developing the revised TEC. The notification must include an explanation of the reasons for the cost growth. OCFO Office of Budget will coordinate provision of the cost variation report required by 50 USC 2743.	Cost variation report provided by the Secretary as required by 50 USC 2743. Follow normal process for Congressional report clearance.

II.D. Full Funding Principle

II.D.1 Consistent with the full funding principle of budgeting for capital asset acquisitions contained in OMB Circular A-11 *Supplement Capital Programming Guide,* and OMB Circular A-11 *Preparation, Submission, and Execution of the Budget* Section 31.4 *Full Funding*, Departmental Elements should request budget authority sufficient to complete a useful segment of a project (or the entire project, if it is not divisible into useful segments)[xii] . Planning segments should be financed separately from the procurement of a useful asset.[xiii] Exceptions to the full funding principle must be approved by OMB in coordination with the OCFO Office of Budget. Exceptions will be granted to offices consistent with transition plans developed by the OCFO Office of Budget in coordination with OMB.

II.D.2. If the minor construction project will not be funded by one DOE appropriation but will be allocated to multiple funding sources, the notification or report (either in-cycle or out-of-cycle, as appropriate) should clearly indicate that the project is institutional, thus indicating that the costs will be allocated to multiple funding sources.

When the allocation of costs will occur over multiple fiscal years, the notice should disclose the anticipated allocation over multiple fiscal years, which may constitute an exception to the full funding principle. OMB approval of the notice, either in-cycle or out-of-cycle, represents appropriate OMB approval of the planned multi-year funding.

II.E. Other Requirements Applicable to Minor Construction Projects

II.E.1. Cost Accounting Requirements

Minor construction projects that benefit multiple separately funded activities may be allocated to multiple funding sources in a manner compliant with applicable cost accounting requirements.

Minor construction projects at a contractor-operated DOE laboratory, site, or facility, the applicable standards are contractor Cost Accounting Standards (CAS), as codified in 48 Code of Federal Regulations (CFR) Chapter 99. Allocations must also be consistent with the contractor's disclosed practices and DOE implementing policy relating to contractor CAS, including DOE Financial Management Handbook (FMH) Chapter 15.1, *DOE Application of Contractor Cost Accounting Standards.*

II.E.2. Financial Accounting Requirements

The DOE FMH Chapter 10.1, *Accounting for Property, Plant, and Equipment*, provides the accounting requirements for real property. Minor construction projects shall be accounted for in a manner

consistent with other real property and shall follow current accounting policy for capital assets.

II.E.3. Property Accountability Requirements

Real Property Management requirements are in DOE Order 430.1C, *Real Property Asset Management*. DOE Order 430.1C, Section 4.b.(1)(b) requires DOE elements to record all planned real property acquisitions in real property planning documentation and in the Facilities Information Management System (FIMS) Anticipated Asset Information Module (AAIM), regardless of acquisition method or funding source.

II.E.4. Project Management Requirements

Project Management requirements are in DOE Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*. As specified in Section 3.a. of DOE Order 413.3B, the project management principles outlined in Appendix C of DOE Order 413.3B apply to minor construction projects.

III. DEFINITIONS

III.A. Total Estimated Cost

This policy adopts the definition of TEC contained in DOE Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*.

As defined by DOE Order 413.3B, the TEC is all engineering design costs (after conceptual design); facility construction costs; and other costs specifically related to those construction efforts.

TEC includes, but is not limited to project, design, and construction management; contract modifications (to include equitable adjustments) resulting in changes to these costs; design; construction; contingency; contractor support directly related to design and construction; and equipment rental and refurbishment.

Additionally, for assets constructed by DOE contractors, the TEC must be determined in a manner consistent with CAS as described in Section II.E.1. of this chapter.

III.B. Line-Item Construction

Line-item construction projects are those with a TEC greater than the minor construction threshold. Funding for line-item projects must be included in the Congressional budget request as visible and uniquely numbered line-items.

III.C. In-Cycle Notifications

Notifications made through the annual Congressional budget justification.

III.D. Out-of-Cycle Notifications

Notifications made out-of-cycle with the Congressional budget justification (ad hoc notices).

IV. REFERENCES

IV.A. 42 USC 7252, 7257, Sections 642 and 647 of the *DOE Organization Act*, which authorizes the Secretary to delegate authorities to others and authorizes the Secretary to acquire facilities and personal property.

IV.B. 50 USC 2741, *Title 50 War and National Defense*, *Definitions,* defines the current statutory minor construction threshold applicable to funds authorized by a DOE national security authorization.

IV.C. Statutory Changes to the Minor Construction Threshold

IV.C.1. P.L. 107-314, Section 3620 of the *FY 2003 National Defense Authorization Act*, set the minor construction threshold at $5 million.

IV.C.2. P.L. 111-84, Section 3118 of the *FY 2010 National Defense Authorization Act*, set the minor construction threshold at $10 million with a sunset date of September 29, 2010.

IV.C.3. P.L. 111-383, Section 3121 of the FY 2011 *National Defense Authorization Act*, set the minor construction threshold at $10 million and repealed the sunset provision in 50 USC 2741

IV.C.4. P.L. 115-91, Section 3119 of the *FY 2018 National Defense Authorization Act*, set the minor construction threshold at $20 million.

IV.C.5. P.L. 117-81, Section 3115 of the *FY 2022 National Defense Authorization Act*, set the minor construction threshold at $25 million.

IV.C.6. P.L. 117-263, Section 3113 of the *FY 2023 National Defense Authorization Act*, set the minor construction threshold at $30 million, and authorizes the Administrator of NNSA to set the minor construction threshold.

IV.C.7. P.L. 118-31, Section 3120 of the *FY 2024 National Defense Authorization Act*, which repealed the sunset date that authorized the Administrator of NNSA to set the minor construction threshold.

IV.D. 42 USC 5821(b)(2), *Annual Authorization Acts*, requires a 30-day advance notification to Congress prior to the use of funds for a facility constructed not on DOE facility with an estimated cost exceeding $5 million.

IV.E. 89 FR 9141 sets the minor construction threshold at $34 million authorized by 50 USC 2741(2)(B).

IV.F. FY 2023 Joint Explanatory Statement, which contains Congressional agreement with applying Defense notification requirements to other DOE offices.

IV.G. DOE Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*

IV.H. DOE Order 430.1C, *Real Property Asset Management*.

IV.I. DOE Order 481.E, *Strategic Partnership Projects*

IV.J. DOE Order 520.1B, *Financial Management and Chief Financial Officer Responsibilities*

IV.K. DOE FMH Chapter 2, *Administrative Control of Funds*

IV.L. DOE FMH Chapter 10.1, *Accounting for Property, Plant, and Equipment*

IV.M. DOE FMH Chapter 15.1, *DOE Application of Contractor Cost Accounting Standards*

Additional references are cited in this chapter as appropriate.

V. ACRONYMS

AAIM	Anticipated Asset Information Module
AIPs	Accelerator Improvement Projects
CAS	Cost Accounting Standards
CFR	Code of Federal Regulations
DOE	Department of Energy
EHSS	Office of Environment, Health, Safety and Security
EM	Office of Environmental Management
FIMS	Facilities Information Management System
FMH	Financial Management Handbook
FY	Fiscal Year
GPPs	General Plant Projects
IGPPs	Institutional General Plant Projects
NDAA	National Defense Authorization Act
NNSA	National Nuclear Security Administration
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
P.L.	Public Law
SPP	Strategic Partnership Projects
TEC	Total Estimated Cost

USC United States Code

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i DOE Order 520.1B, *Financial Management and Chief Financial Officer Responsibilities*

ii The relevant language is "General Plant Projects—In alignment with the requirements of section 3118(c) of the *National Defense Authorization Act for FY 2010*, the Department is directed to notify the Committee at least 15 days prior to starting any General Plant Project unless the project is directed by this recommendation or explicitly included in the fiscal year 2023 budget request." Similar language is included in both the House and Senate Appropriations committee reports for FY 2024.

iii Annual authorization acts applicable to DOE are the *National Defense Authorization Act* (NDAA) and the *Intelligence Authorization Act*. Office receiving funding under annual authorization acts include the National Nuclear Security Administration (NNSA); the Office of Environmental Management; the Office of Nuclear Energy; the Office of Environment, Health, Safety, and Security; the Office of Legacy Management; and the Office of Intelligence and Counterintelligence.

iv DOE Order 481.1E, *Strategic Partnership Projects*, Section 4.g.(3).

v Additional information and reporting requirements of the Anti-Deficiency Act are in the DOE FMH Chapter 2, *Administrative Control of Funds*; OMB Circular A-11, Section 150, *Administrative Control of Funds*; and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

vi The threshold may be increased when (1) the Administrator provides the Congressional defense committees with a report on the method used to calculate the adjustment; (2) a period of 30 days elapses following the date of such notification, and (3) the Administrator publishes the amount in the Federal Register.

vii 50 USC 2746(b), Title 50 *War and National Defense, Conceptual and construction design*

viii 42 USC 5821

ix The content of the notification shall satisfy the statutory notification requirements contained in 50 USC 2743(d) (which applies to Defense facilities), and 42 USC 5821(b)(2) (which applies to research facilities constructed not on a DOE facility). Both requirements may apply to a specific project. Notifications must contain the TEC of the facility and describe the nature and purpose of the facility. Although Congress does not require notification of non-defense minor construction projects on a DOE installation, DOE applies the $5 million threshold for all minor construction projects.

x P.L. 111-84, div. C, Section 3118(c) and 42 USC 5821

xi Offices include NNSA; EM Defense Environmental Cleanup; NE Idaho Safeguards and Security; Office of Environment, Health, Safety, and Security; Office of Hearings and Appeals; Office of Legacy Management; and the Office of Enterprise Assessments.

xii See Principle 1 under the *Principles of Financing*, Section I.7.2.2 of the *Capital Programming Guide*. Note that the total of all segments of a minor construction project must not exceed the minor construction threshold.

xiii See Principle 3 under the *Principles of Financing*, Section I.7.2.2 of the *Capital Programming Guide*.

CHAPTER 2.4
Major Items of Equipment

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I. INTRODUCTION

I.A. PURPOSE AND SCOPE

This chapter provides the Department of Energy's (DOE or Department) policy on funding and budgetary notifications for major items of equipment (MIE). An MIE is capital equipment or capital software designed and fabricated or acquired in support of a DOE mission activity that requires budgetary notification because it meets the notification thresholds established in this chapter. See full definition in section IV.A of this chapter.

This chapter does not establish new cost accounting requirements but does summarize existing requirements (see section II.E.).

I.B. APPLICABILITY

This policy applies to all Departmental elements and contractors, consistent with the general applicability discussion in DOE Financial Management Handbook (FMH) Chapter 1 *Financial Management Handbook Overview*. This policy applies to all MIE(s) fabricated or acquired, regardless of funding source or cost allocation methodology.

I.C. COMPLIANCE

Noncompliance with the statutory requirements for advance notification of MIEs needed at an off-site location, as specified in 42 USC 5821 and implemented by section II.A. of this policy, could result in violations of the *Anti-Deficiency Act* (31 USC §§ 1341(a)(1)(A), 1341(a)(1)(B); and 1342, 1517(a)). Additional information and reporting requirements of the *Anti-Deficiency Act* are in the DOE FMH Chapter 2, *Administrative Control of Funds*.

II. POLICY AND REQUIREMENTS

II.A. STATUTORY BUDGETARY NOTIFICATION REQUIREMENT FOR SELECTED MIEs

II.A.1. Notification Requirement.

Advance notification to Congress is statutorily required[1] for MIEs that meet **all** the following criteria:

II.A.1.i. Have an MIE Acquisition Cost (see IV.B of this policy) that exceeds $2 million.

II.A.1.ii. Are installed off of a DOE/NNSA facility (see definition at section IV.C of this policy); and

II.A.1.iii. Are funded—wholly or in part—with funding appropriated to DOE offices that are subject to annual authorization acts (the *National Defense Authorization Act* (NDAA) and the Intelligence Authorization Act). These offices include the National Nuclear Security Administration (NNSA); the Office of Environmental Management; the Office of Nuclear

Energy; the Office of Environment, Health, Safety, and Security; the Office of Legacy Management; and the Office of Intelligence and Counterintelligence.

When the cost of an MIE is allocated by a DOE contractor-operated site to multiple DOE funding sources, the MIE is considered to be funded in part with funding appropriated to DOE offices that are subject to annual authorization acts.

II.A.2. Notification Content

The notification (either in-cycle or out-of-cycle) must describe the "nature, purpose, and estimated cost"[2] of the MIE. Specific templates for in-cycle notices will be established by the Chief Financial Officer (CFO) Office of Budget.

II.A.3. Advance Notification

Funds shall not be obligated for the acquisition or fabrication of an MIE meeting the criteria for statutory notification (section II.A.1 of this policy) unless 30 calendar days have elapsed since notification, or the committees have provided earlier written notice that the committees have no objection to the acquisition or fabrication of the MIE.

II.A.4. Committees to be Notified

The House and Senate committees on appropriations represent the "appropriate committees"[3] for notification specified by statute. However, any out-of-cycle notice should also be provided directly to the House and Senate armed services committees.

II.A.5. Notification Process

II.A.5.i. In-cycle notifications for future fiscal years.

Notifications should be provided in advance through the Congressional Budget Request (in-cycle notifications) except as specified in II.A.5.ii and II.A.5.iii of this chapter.

II.A.5.ii. In-cycle notifications for the current fiscal year.

The Congressional Budget Request for the subsequent fiscal year may be used to provide notification for emergent needs identified for the current fiscal year. Funds cannot be obligated for the acquisition or fabrication of the MIE until 30 days after the Congressional Budget Justification was provided to the House and Senate appropriations committees.

II.A.5.iii. Out-of-cycle notifications for the current fiscal year.

When the need is identified for an MIE meeting the criteria for statutory notification (section II.A.1 of this policy) that has not already been included in an in-cycle notice an out-of-cycle notification may be used to satisfy the requirements of

42 USC 5821.

The notice must meet the requirements specified in paragraphs II.A.2, II.A.3, and II.A.4 of this policy. Approval of out-of-cycle notifications will be coordinated with the Office of Management and Budget (OMB) by the DOE Office of Budget consistent with current requirements in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*.[4] The CFO Office of Budget shall respond to proposed out-of-cycle notices within five (5) business days of receipt.

II.A.6. Cost Growth Reporting

Increases to the MIE Acquisition Cost of a previously reported MIE or substantive changes in scope must be reported in the next Congressional Budget Request.

II.B. MIEs WITHOUT STATUTORY BUDGETARY NOTIFICATION REQUIREMENTS

II.B.1. Policy

There is no statutory notification requirement for MIEs that do not meet all three criteria specified in section II.A.1 of this policy.

However, as established by this policy, the planned design and fabrication or acquisition of equipment or software with an MIE Acquisition Cost exceeding $10 million[5] that meets the MIE definition (see IV.A of this chapter) also constitute MIEs that must be described in the appropriate Congressional Budget Request (in-cycle notifications).

II.B.2. Emergent Requirements

II.B.2.i. When no statutory notification requirement exists (as specified in II.B.1 of this policy), MIEs may be acquired without prior notification when the MIE is required to accomplish DOE mission work, but the requirement had not yet been identified when the most recent Congressional Budget Request was prepared.

II.B.2.ii. When no statutory notification requirement exists (as specified in II.B.1 of this policy), notification for emergent requirements for MIEs with an MIE Acquisition Cost exceeding $10 million must be provided in the next Congressional Budget Request. Such notifications should describe why the requirement for the MIE was not known when the previous Congressional Budget Request was prepared.

II.B.3. Cost Growth Notification

Increases to the MIE Acquisition Cost of a previously-reported MIE must be reported in the next Congressional Budget Request.

If cost increases cause a previously unreported, but in-process MIE to exceed the $10 million notification threshold, the MIE must be reported in the next Congressional Budget Request.

II.C. SEPARATE BUDGET REQUIREMENTS FOR MIEs AND REAL PROPERTY

II.C.1. General Policy

Budgeting for MIEs must be separated from any construction activity. MIEs represent equipment or software that is not integral to a facility or related to, designed for, or specifically adapted to the functional or productive capacity of a facility (see IV.A of this policy). Related personal property (see IV.F of this policy) shall be considered part of a construction activity for budgeting purposes (either minor construction or line-item construction, as applicable).

The determination of whether specific items of personal property are MIEs or related personal property is determined by the responsible DOE program or project management official. Consult with the Office of Asset Management (MA-50) when there are questions regarding the identification of related personal property for a specific project.

II.C.2. Use of Minor Construction Authority to Adapt or Construct Facilities for MIEs

Minor construction activities necessary to adapt or construct buildings for MIEs should follow the minor construction policy specified in DOE FMH Chapter 2.3 *Minor Construction.* Supporting construction may include foundations, utilities, structural modifications, and/or additions to a building.[6]

As specified in DOE's minor construction policy, construction activity up to $5 million may be performed without prior notification see DOE FMH Chapter 2.3, *Minor Construction,* section II.B.1 of.

Supporting construction activities with a cost exceeding the current minor construction threshold must be budgeted as a line-item construction project.

II.D. FULL FUNDING PRINCIPLE

II.D.1. Consistent with the full funding principle of budgeting for capital asset acquisitions contained in the OMB Circular A-11 *Supplement Capital Programming Guide,* and OMB Circular A-11 *Preparation, Submission, and Execution of the Budget* Section 31.4 *Full Funding*, Departmental Elements should request budget authority sufficient to design, fabricate, acquire, and install an MIE with an MIE Acquisition Cost less than $250 million.[7]

Exceptions to the full funding principle must be approved by OMB in coordination with the OCFO Office of Budget. Exceptions will be granted to offices consistent with transition plans developed by the Office of Budget in coordination with OMB.

II.D.2. If the MIE will not be funded by one DOE appropriation but will be allocated indirectly to multiple funding sources, the MIE notification (either in-cycle or out-of-cycle, as appropriate) should clearly indicate that the MIE is institutional, thus indicating that the costs will be allocated to multiple funding sources. See section II.E. of this chapter for specific cost accounting and review requirements.

When the allocation of costs will occur over multiple fiscal years, the notice should disclose the anticipated allocation over multiple fiscal years, which may constitute an exception to the full funding principle. OMB approval of the notice, either in-cycle or out-of-cycle, represents appropriate OMB approval of the planned multi-year funding.

II.E. MIE COST ACCOUNTING REQUIREMENTS

II.E.1. Application of Cost Accounting Requirements

The cost of MIEs that benefit multiple separately funded activities may be allocated indirectly to multiple funding sources in a manner compliant with applicable cost accounting requirements.

For MIEs acquired by a contractor-operated site, the applicable standards are contractor Cost Accounting Standards (CAS), as codified in 48 Code of Federal Regulations (CFR) Chapter 99. Allocations must also be consistent with the contractor's disclosed practices and DOE implementing policy relating to contractor CAS, including DOE FMH Chapter 15.1 *DOE Application of Contractor Cost Accounting Standards.*

Applicable CAS standards include:

- CAS 401, *Consistency in Estimating, Accumulating, and Reporting Costs*
- CAS 402, *Consistency in Allocating Costs Incurred for the Same Purpose*
- CAS 410, *Allocation of Business Unit General and Administrative Expenses to Final Cost Objectives*
- CAS 418, *Allocation of Direct and Indirect Costs*

II.E.1.i. Allocate the cost of minor construction projects that are for the general management and administration of a business unit as a whole in accordance with CAS 410 (48 CFR 9904.410) and the contractor's approved CAS Disclosure Statement.

II.E.1.ii. Allocate the cost of other indirect minor construction projects to the benefitting programs in accordance with CAS 418 (48

CFR 9904.418) and the contractor's approved CAS Disclosure Statement.

II.E.2. CAS Disclosure Statement Requirements

The contractor's CAS Disclosure Statement must clearly identify the contractor's cost allocation practices and consistently apply those practices for all costs that are incurred for the same purpose and in like circumstances.

The contractor must set forth in the CAS Disclosure Statement the specific criteria and circumstances for making distinctions between the types of costs that are accounted for as direct in some circumstances and as indirect in other circumstances.

III. RELATED POLICIES AND REQUIREMENTS

III.A. Accounting Requirements. The DOE FMH Chapter 10, *Accounting for Property, Plant, and Equipment*, provides the accounting requirements for capital equipment and software. The accounting requirements for capital equipment apply regardless of the funding source or cost allocation methodology applied for the acquisition of the equipment or software.

III.B. Real Property Accountability Requirements. Real Property Management accountability requirements are specified in DOE Order 430.1C, *Real Property Asset Management*. DOE Order 430.1C, Section 4.b.(1)(b) requires DOE elements to record all planned real property acquisitions in real property planning documentation and in the Facilities Information Management System (FIMS) Anticipated Asset Information Module (AAIM), regardless of acquisition method or funding source.

III.C. Personal Property Accountability Guidance. Personal property guidance is contained in DOE Guide 580.1-1A, *Personal Property*. Specific requirements are cited in DOE Guide 580.1-1A, including 41 CFR 109 and contract requirements at FAR 52.245-1 and DEAR 970.5242-1 (48 CFR 970.5242-1).

III.D. Project Management Requirements. Project Management requirements are specified in DOE Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*, or successor policy.

IV. DEFINITIONS

IV.A. Major Item of Equipment. An MIE is capital equipment or software designed and fabricated or acquired in support of a DOE mission activity that requires budgetary notification because it meets the notification thresholds established in this chapter. MIEs represent equipment or software that is not integral to a facility or related to, designed for, or specifically adapted to the functional or productive capacity of a facility. MIE's include software that meets capitalization requirements and exceed the notification thresholds established in this chapter.

Related personal property (see IV.F of this policy) is considered part of a

construction activity.

IV.B. MIE Acquisition Cost. The total MIE acquisition cost includes the purchase price and all other costs incurred to bring the MIE to a form and location suitable for its intended use. When an MIE is fabricated by DOE, the MIE acquisition cost includes all direct and allocated indirect costs associated with design and fabrication, as well as the costs to bring the MIE to a form and location suitable for its intended use.

IV.C. DOE/NNSA Facility. DOE/NNSA facilities include buildings, structures, or locations owned, leased, or accessed according to an occupancy agreement by a DOE Federal Office, laboratory, plant, or site for mission work.[8]

IV.D. In-Cycle Notifications. Notifications made through the annual Congressional Budget Justification.

IV.E. Out-of-Cycle Notifications. Notifications made out of cycle with the Congressional Budget Justification (ad hoc notices).

IV.F. Related Personal Property. Property that is related to, designed for, or specifically adapted to the functional capacity of real property; removal of this personal property would significantly diminish the economic value of the real property (41 CFR 102-36.40).

V. SUMMARY OF NOTIFICATION REQUIREMENTS

	Statutory Notifications ***Section II.A of the Policy***	**Non-Statutory Notifications** ***Section II.B of the Policy***
Scope—Applicable MIEs	MIEs that meet all of the following criteria: 1. MIE Acquisition Cost over $2 million; 2. Installed off of a DOE/NNSA facility; and 3. Funded or partially funded by an office subject to an annual authorization act. (section II.A.1)	All other MIEs with an MIE Acquisition Cost over $10 million (section II.B.1)
Notification for Future Fiscal Years	Include in the Congressional Budget Request (paragraph II.A.5.i)	Include in the Congressional Budget Request (section II.B.2)
Notification for Emergent Requirements in the Current Fiscal Year	• Notify through the Congressional Budget Request for the following Fiscal Year—when the MIE will be initiated no sooner than 30 days after the Congressional Budget Request is provided (paragraph II.A.5.ii) • Out of cycle notice—when the MIE needs to be initiated promptly (paragraph II.A.5.iii)	Include in the next Congressional Budget Request (section II.B.3)
Cost Growth Notifications	Disclose cost growth in the next Congressional Budget Request (section II.A.6)	Disclose cost growth in the next Congressional Budget Request (section II.B.3)

VI. REFERENCES

- 31 USC 1341, *Anti-Deficiency Act* (31 USC 1341(a)(1)(A), 1341(a)(1)(B); and 1342, 1517(a)).
- 41 CFR 102-36.40, *Disposition of Excess Personal Property – Definitions*
- 41 CFR 109, *DOE Property Management Regulations*
- 42 USC 5821, *Annual Authorization Acts*
- 48 CFR 970.5242-1, *Penalties for Unallowable Costs*
- 48 CFR Chapter 99, *Cost Accounting Standards*
- FAR 52.245-1, *Contractor's responsibilities for managing the property*
- OMB Circular A-11, *Preparation, Submission, and Execution of the Budget* – Section 22.3
- DOE Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*
- DOE Order 430.1C, *Real Property Asset Management* Section 4.b.(1)(b)
- DOE Guide 580.1-1A *Personal Property*
- DOE FMH Chapter 1 *Financial Management Handbook Overview*
- DOE FMH Chapter 2, *Administrative Control of Funds*
- DOE FMH Chapter 2.3 *Minor Construction*
- DOE FMH Chapter 10, *Accounting for Property, Plant, and Equipment*
- DOE FMH Chapter 15.1 *DOE Application of Contractor Cost Accounting Standards.*

VII. ACRONYMS

AAIM	Anticipated Asset Information Module
CAS	Cost Accounting Standards
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
DOE	Department of Energy
FIMS	Facilities Information Management System
FMH	Financial Management Handbook
MIE	Major Items of Equipment

NDAA	National Defense Authorization Act
NNSA	National Nuclear Security Administration
OMB	Office of Management and Budget
USC	United States Code

[1] 42 USC 5821
[2] The “nature, purpose, and estimated cost” is a statutory requirement in 42 USC 5821(b)(2).
[3] “Appropriate Committees” referenced in 42 USC 5821(b)(2).
[4] OMB Circular A-11 See section 22.3 of OMB Circular A-11.
[5] The $10 million policy threshold established in this chapter was determined by applying inflation to the $2 million statutory threshold established in 1978.
[6] Also noted in paragraph 69 of DOE Order 413.3B.
[7] The threshold may vary for individual offices based on current OMB direction. Follow current direction from the DOE Office of Budget.
[8] The statutory notification requirement in 42 USC 5821 applies to MIEs “required at locations other than installations” that are funded—wholly or in part—with funding appropriated to DOE offices that are subject to annual authorization acts (the annual *National Defense Authorization Act* and the annual *Intelligence Authorization Act*).

CHAPTER 3.1:
BUDGET EXECUTION TOPICS AND ACCOUNTING FOR APPROPRIATIONS

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SUBJECT: JULY 2026 UPDATE TO CHAPTER 3.1, BUDGET EXECUTION TOPICS AND ACCOUNTING FOR APPROPRIATIONS 15

I. INTRODUCTION

I.A. Purpose

This chapter provides budget execution and accounting for appropriation guidance to include references, Department-wide definitions, and roles and responsibilities. This chapter supplements DOE Order 520.1B, "Financial Management and Chief Financial Officer Responsibilities," and DOE Order 130.1A, "Budget Planning, Formulation, Execution and Departmental Performance Management."

I.B. Applicability

This chapter is applicable to all Departmental elements, including the National Nuclear Security Administration and the Power Marketing Administrations (except for the Bonneville Power Administration). This chapter does not apply to contractors.

II. BUDGET EXECUTION TOPICS

II.A. Reprogramming

II.A.1. Requirements and Authority

II.A.1.i. General Requirements

31 U.S.C. 1301 (the Purpose statute) generally prohibits expenditure of funds for purposes other than those for which they were appropriated.

The purpose of DOE funding is restricted by the statutory text of the appropriations act. Additionally, DOE appropriations typically require DOE to expend funds as authorized for the specified programs, projects, and activities specified in the explanatory statement accompanying the appropriations act. Programs, projects, and activities are also subject to the apportionment requirements of Office of Management and Budget (OMB) Circular No. A-11.

II.A.1.ii. Reprogramming Authority

DOE's and NNSA's reprogramming authority is contained in DOE's annual appropriations acts as well as the United States Code and is subject to change. The appropriations acts specify reprogramming limits and Congressional notification requirements.

In cases where unforeseen events or conditions are deemed to require changes, reprogramming provides a mechanism to use funds within the same appropriations account for purposes other than the program, project, or activity specified in the explanatory statement accompanying the appropriations act.

II.A.1.iii. Limitations

Reprogramming cannot be used to initiate new programs; change programs, projects, or activities by increasing funds specifically denied or limited, by Congress; reduce or eliminate funding for activities authorized in appropriations acts; or transfer funds from one appropriations account to another.

Because reprogramming actions cannot be used to eliminate a program, project, or activity (i.e., Congressional Control, or C-Parent), the reprogramming cannot be used to bring the balance of unobligated funds to zero. A minimal operational balance must remain in one or more of the appropriation year(s) for the Congressional Control after reprogramming. The specific amount required to provide for future operational requirements should be defined by the Departmental Element requesting the reprogramming action. The request should note the amount remaining in the, program, project, or activity and the planned operational use(s) of the remaining balance.

Additional limitations may be specified in individual appropriation acts.

II.A.1.iv. Types of Reprogramming Actions

Formal reprogramming actions are those that exceed the threshold established in the appropriations act for required Congressional notification.

Internal reprogramming actions do not require formal Congressional notification. For such actions, the appropriations act provides the Department the authority to make limited changes to certain programs, projects, and activities within the approved budget.

II.A.1.v. Calculation of the Reprogramming Threshold

The current reprogramming threshold is applied to the sum of reprogramming actions completed for a given program, project, or activity (i.e., Congressional Control, or C-Parent) for a single appropriations year, regardless of when any prior reprogramming actions were completed.

If the same funding source is cited in separate reprogramming actions, the total amount proposed for reprogramming determines whether the relevant reprogramming actions require Congressional notification.

II.A.2. Processing a Reprogramming Request

II.A.2.i. Initial Consultation with CFO

Budget Execution Officers should consult with the Office of the Chief Financial Officer (CFO) Funds Distribution and Control Team (FDCT) and CFO Budget Formulation for the timeline, process, and required information needed to complete a reprogramming action. The timeline, process, and required information will vary depending on the type of reprogramming action.

II.A.2.ii. CFO Review and Determination

Per DOE Order 130.1A, CFO is responsible for determining whether a proposal for reprogramming is appropriate.

If a reprogramming action is deemed appropriate, Budget Execution Officers should provide a reprogramming request approved by the Head of the Departmental Element (or designee for internal reprogramming actions) to FDCT. The reprogramming request must contain required information to complete the reprogramming action. Upon receipt, FDCT will coordinate the review of the reprogramming request within CFO. CFO may provide the request to the Office of General Counsel for legal review, if needed.

All reprogramming requests must be reviewed by the Director, Office of Budget within 30 days after the Budget Execution Officer provides the reprogramming request to FDCT.

The Director, Office of Budget is the final approver for internal reprogramming actions. External reprogramming requests require OMB approval and Congressional notification[1] (see II.A.2.iii.).

II.A.2.iii. OMB Approval and Congressional Notification for Formal Reprogramming Actions

The Chief Financial Officer (CF-1) approves the transmittal of formal reprogramming actions to OMB within 30 days after all required information and materials are provided to FDCT, and questions answered for the reprogramming request.

After approval by the Chief Financial Officer, formal reprogramming actions must also then be approved by OMB and provided to Congressional appropriation committees for a 30 day notification period. The CFO

Office of Budget will coordinate OMB approval of the request and provide required Congressional notifications.

II.A.2.iv. Discretionary Congressional Notification for Internal Reprogramming Actions

While internal reprogramming actions do not require formal Congressional notification, CFO may determine that it is appropriate to notify OMB and Congress of internal reprogramming actions through less formal notification processes.

II.A.2.v. Completing Reprogramming Actions

FDCT will execute the reprogramming action in the Budget Formulation and Distribution System (BFADS) (or successor system) after a reprogramming action is approved (see II.A.2.ii), and the time since the statutorily required Congressional notification – currently set at 30 days - has passed. Approved reprogramming actions may result in reapportionment needs, in which case, FDCT will prepare and submit the requisite reapportionment request(s).

If the Congressional appropriations committees object to a proposed reprogramming action during the notification period, the reprogramming cannot move forward without explicit approval from the Chief Financial Officer (CF-1).

CF-30 will notify the program if the reprogramming action cannot be executed or if modification is needed.

II.B. Rescissions and Deferrals

Rescission proposals and deferrals are subject to the requirements of Title X of the Congressional Budget and Impoundment Control Act of 1974 (Impoundment Control Act), which requires the President to transmit a special message to the Congress. Funds can only be withheld from obligation when the special message is provided to Congress in accordance with the statutory requirements and the procedures outlined in Section 112 of OMB Circular A-11.

Including a request to cancel appropriations in the President's Budget Request is not sufficient to meet the requirements of transmitting a special message under the provisions of the Impoundment Control Act.

II.B.1. Definitions

II.B.1.i. Rescission means enacted legislation that reduces the budget authority previously provided by law prior to the

time when the authority would otherwise expire.

II.B.1.ii. Deferrals means any Executive action or inaction that temporarily withholds or effectively precludes the obligation or expenditure of budgetary resources with the intent of using the funds before they expire. Deferrals are permitted only to provide for contingencies; to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or as specially provided by law. Deferrals are generally affected through the apportionment process.

II.B.1.iii. A cancellation proposal is a proposal by the President (including through the President's Budget Request) to reduce budgetary resources that does not meet the requirements of rescission or a deferral under the Impoundment Control Act. Any amount proposed for cancellation cannot be withheld from obligation unless a separate rescission or deferral request is processed.

II.B.2. Rescission Proposals or Deferral Requests to FDCT

After DOE or OMB determines that a rescission or deferral is warranted, the program organization responsible for the affected program initiates a request to the FDCT by doing the following:

- Complete the documentation required by Section 112 of OMB Circular A-11.
- Draft a letter of transmittal to OMB, when required by CFO.
- Submit the proposed allotment changes to the FDCT.

Consistent with the requirements of Sections 112.6 and 112.7 of OMB Circular A-11, FDCT will prepare an apportionment request that reflects the amount deferred or the amount withheld pending rescission.

When a special message is transmitted to Congress, the amounts proposed for rescission or deferral may be temporarily withheld from obligation while the request is being considered to ensure funds availability once action on the deferral or rescission is finalized. Funds withheld from obligation will be placed in reserve by FDCT within the CFO funds distribution system and the allotment(s) will be revised accordingly. The funds are typically also withdrawn from the apportionment by OMB consistent with the apportionment requests required by subsections 112.6 and 112.7 of OMB Circular A-11.

II.B.3. Release of Funds

Funds proposed for rescission must be released and made available for obligation if no action is taken by Congress within the timeframes specified by the Impoundment Control Act. For

rescission requests, funds can only be withheld from obligation for a period of 45 legislative days (see subsection 112.15 for the relevant definition of legislative days). When funds must be released for obligation because of Congressional inaction on proposed rescissions, and the apportionment does not include a footnote automatically reapportioning the withheld funds, the FCDT must submit apportionment requests reflecting the release of the affected amounts to OMB before the end of the 45-day period.

Deferrals cannot last beyond the end of the fiscal year in which the special message proposing the deferral is transmitted to Congress.

II.C. Appropriation Transfers

II.C.1. Funds cannot be transferred between appropriation accounts unless the authority is specifically provided in law and transfer apportionment authority is provided by OMB. Transfer authority is required to move money across DOE appropriation accounts, and to move money from/to a DOE appropriation and another agency's appropriation account.

DOE has limited transfer authority granted by specific laws. Additionally, other Federal agencies may have the authority to transfer funds to DOE appropriation accounts.

Identified DOE transfer authorities include:

II.C.1.i. 50 U.S.C. 2745, which allows the transfer of funds to other Federal Agencies and within Department of Energy pursuant to a DOE national security authorization. Funds transferred to another Federal Agency or within DOE must be for the same purposes and same time period as the authorization to which the amounts are transferred. For funds transferred within DOE, not more than 5 percent of the funds authorized may be transferred to another national security authorization; the funds may only be transferred for national security programs that have a higher priority; and this authorization may not be used for items where Congress specifically denied funds. Prompt notification to the Congressional Defense Committees of any funds transferred under this authority is required.

II.C.1.ii. 42 U.S.C. 7269-7269b, which allows the transfer from funds from one appropriation to another only when authorized in an appropriation Act. Not more than 5 percent of the funds authorized may be transferred to another appropriation. This provision also allows unexpended balances of prior appropriations to be transferred from one Energy and Water Development appropriation to another for activities established through Energy and Water Development appropriations. Those funds may be

accounted for as one fund for the same time period as originally enacted.

II.C.2. Requests for Appropriations Transfers

II.C.2.i. For an appropriation transfer, the cognizant Budget Execution Officer will coordinate with the FDCT to determine the type of action to be issued.

II.C.2.ii. Prior to submittal to OMB, FDCT will make the necessary adjustments in the Departmental funds distribution system and place the funds in reserve until the transfer is processed. In this case, placing the funds in reserve does not represent a deferral. Placing the funding in reserve ensures that the funding is not obligated prior to processing the funding transfer and thus prevents a potential deficiency.

II.C.2.iii. For an incoming appropriation transfer, the approved OMB reapportionment serves as budgetary resources. Funds are allotted to the program by the FDCT when the Treasury warrant is received (see section III.A of this chapter).

II.D. Departmental Base Table

II.D.1. The base table is the controlling document that provides the basis for the allotments at a level of detail consistent with appropriations, Congressional control points, and OMB apportionments. The table is maintained within BFADS or successor funds distribution system by the CFO FDCT and routinely reported to congressional committees and OMB.

II.D.2. The base table displays all obligation authority available to DOE (including the National Nuclear Security Administration) by Treasury Appropriation Fund Symbol (TAFS) and by program, project, and activity (PPA) within each appropriation, as defined by the tables accompanying the appropriation. The base table reflects all legal control points established by the appropriation. The program, project, or activity (PPA) level represents the legal control points when specified by the appropriation.

II.D.3. Components of the Base Table

II.D.3.i. New obligational authority (NOA) which is established upon enactment of appropriation legislation.

II.D.3.ii. Unobligated balances from prior years, including prior-year deobligations (PYD).

II.D.3.iii. Anticipated authority, including reimbursable work authority.

II.D.4. The base table is updated on an as-needed basis, including to account for any rescissions, appropriation transfers, and reprogramming actions.

II.E. Federal Program Inventory

II.E.1. Purpose and Background

The GPRA (Government Performance and Results Act) Modernization Act of 2010 (P.L. 111-352) mandated the establishment of a Federal Program Inventory.

The FY 2021 NDAA amended and expanded the original requirements (P.L. 116-283; applicable provisions codified at 31 U.S.C. 1122).

The statutory requirements establish explicit links between the Federal Program Inventory and financial assistance listings; require reporting on appropriations, obligations, and outlays for each program; and specify reporting of performance results for each assistance listing "to the extent practicable."

II.E.2. DOE Federal Program Inventory

II.E.2.i. General Structure

DOE defines its Federal Program Inventory according to its budget structure. Thus, the Federal Program Inventory consists of every Program, Project, or Activity (PPA) for which DOE currently has funding available for obligation, as specified in the Departmental Base Table (see II.D. of this chapter). The budget structure is reflected as a "C-Parent" in DOE's accounting system.

The alignment of the Federal Program Inventory definition with DOE's Congressional budget structure allows DOE to meet financial reporting requirements through existing accounting and financial reporting practices and systems. Reporting requirements are specified in current OMB reporting requirements per the provisions of 31 USC 1122(a)(3).

II.E.2.ii. Exceptions

- Congressionally-Directed Spending (CDS). Funding for CDS projects is typically provided as separate PPAs. However, for purposes of the Federal Program Inventory, DOE maintains a single program for all CDS projects.
- Bonneville Power Administration (BPA). BPA is self-financed through a permanent indefinite appropriation and operates financially under the Government Corporation Control Act. The Bonneville Power Administration represents a

single program for purposes of the DOE Federal Program Inventory.

- Federal Energy Regulatory Commissions (FERC). Funding for FERC, an independent regulatory commission, is allotted by the DOE Office of the Chief Financial Officer, and thus FERC funding is included in the DOE Congressional Base Table. However, FERC is responsible for establishing its own Federal Program Inventory as appropriate.

II.E.3. Federal Program Inventory Alignment with Financial Assistance Listings

II.E.3.i. DOE Definition of Assistance Listings

DOE assistance listings must maintain a one-to-one relationship with DOE's Federal Program Inventory, as defined in II.E.2 of this chapter

II.E.3.ii. Assistance Listing Requirements

- Per 2 CFR 200.203, Financial Assistance Listings represent the "comprehensive government-wide source of Federal financial assistance program information produced by the executive branch of the Federal Government."
- 31 USC 1122(a)(3)(vii)(I) requires a linkage between the Federal Program, as defined by the Federal Program Inventory, and the assistance listing.
- OMB guidance[2] mandates a "one program to one Assistance Listing" approach with the objective to "improve transparency, streamline reporting, and enhance public understanding of Federal financial assistance programs via the FPI."
- The OMB guidance[3] also requires DOE to assign a "Government-wide Objective" and one or more "Program Outcome(s)" to each assistance listing. The information will be used to identify programs with similar objectives across Government. The universe of Government-wide Objectives and Program Outcomes was developed by OMB, and DOE is expected to choose the best fit from the OMB-developed objectives and outcomes.

II.E.4. Regular Review and Update of DOE Financial Assistance Listings

II.E.4.i. Review of the Assistance Listing Structure

The Budget Execution Officer (as designated per DOE Order 130.1A[4]) for any office that provides funding for

Financial Assistance awards must review the base table annually to identify any needed changes to the office's assistance listing structure. The Assistance Listing will include the designation of a Government-Wide Objective and one or more Program Outcome(s), as defined by the Office of Management and Budget (see also II.E.3.ii of this chapter).

After the initial realignment of the assistance listings with the Federal Program Inventory, changes to the assistance listing structure will only be necessary when DOE's appropriations structure changes.

II.E.4.ii. Annual Update of the Assistance Listing

The Budget Execution Officer must ensure that assistance listings are updated and recertified in GSA's System for Award Management (SAM) after passage of the full year appropriation bill (or full year continuing resolution, as applicable). Anticipated awards for the year should be consistent with the spend plans provided to OMB when requesting the apportionment.

The assistance listing generally must be updated and recertified prior to issuance of a Notice of Funding Opportunity (NOFO) or award citing the assistance listing.

II.E.5. Implementation of Revised DOE Financial Assistance Listings

II.E.5.i. Fiscal Year 2026 Actions

The Budget Execution Officer should review the base table and identify changes needed to the office's assistance listing structure to be made in FY 2027.

II.E.5.ii. Required Actions for Fiscal Year 2027

As necessary, the Budget Execution Officer must establish new assistance listings to reflect the Federal Program Inventory. Assistance listings should be established in the System for Award Management (SAM) only after passage of the full year appropriation.

III. ACCOUNTING FOR APPROPRIATIONS

III.A. Appropriation Warrant

The appropriation warrant is the document issued (pursuant to 31 U.S.C. 321(a)(3)) by the Secretary of the Treasury that records the authority of the federal agency to use the amount of funds as specified in an appropriation act by Congress.

Subsequent to the enactment of an appropriation, OMB and the Fiscal Service (Treasury) have separate independent parallel processes for the issuance of apportionments and Treasury warrants, respectively. When

appropriations bills are passed, the Budget Appropriation and Analysis Section (Fiscal Service, Department of Treasury) reads and analyzes the enacted appropriation and acts independently from the Office of Management and Budget (OMB).

Volume I, Part 2, Chapter 2000 of the Treasury Financial Manual (I TFM 2-2000) provides current Department of Treasury guidance regarding the issuance of appropriation warrants. See also OMB Circular A-11, sections 20.3, 120.27, and 123.19.

III.A.1. When appropriation legislation or a full-year continuing resolution is passed, Treasury prepares a warrant for the full amount of budget authority provided by the appropriation. After the passage of a DOE appropriation bill by Congress, Treasury records the appropriation warrant in Treasury's Central Accounting Reporting System (CARS) where the Department can access the warrant.

III.A.2. The warrant is received by the CFO Office of Finance and Accounting, where it is compared with the appropriation language to verify that the documents are in agreement. The CFO Office of Finance and Accounting also coordinates a review with FDCT to confirm that the warrant amounts are in agreement with the appropriation language and congressional requirements.

III.A.3. The CFO Office of Finance and Accounting records the warrant in the Standard Accounting and Reporting System (STARS) in the appropriate TAFS.

III.A.4. The CFO Office of Finance and Accounting, when closing warrants, certifies the cancelling and closing of the associated account balances that are then returned to Treasury.

III.A.5. During a short-term continuing resolution, "Appropriation - Other - Short-Term Continuing Resolution warrants" (STCR) are issued for appropriations for amounts allowed under the short-term continuing resolution. CFO Office of Finance and Accounting and FDCT coordinate submission of allowed funding amounts to Treasury for issuance of STCR warrants. .

III.B. Recording Transactions

All Government transactions are identified with applicable fund types 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).

III.B.1. STARS serves as the Department's funds control system of record. Funds distribution actions that are executed in BFADS and affect the availability of budgetary resources are reflected in STARS through

system interfaces. Accounting transactions that affect the availability of budgetary resources (e.g., obligations or deobligations of funds apportioned in prior years) are also reflected in BFADS through system interfaces.

III.B.2. STARS provides for recording all financial transactions affecting appropriations; apportionments; reapportionments; allotments; most agency restrictions; obligations and expenditures; and anticipated, earned, and collected reimbursements. This information is recorded using appropriate fields within the DOE Accounting Flex Field (AFF).

III.B.3. The FDCT is responsible and has established procedures for ensuring that funds distribution transactions in BFADS related to appropriations, apportionments, reapportionments, and allotments are properly recorded and reconciled in STARS. Reconciliations of appropriations, apportionments, and allotments shall be performed at least monthly through SF-132 and SF-133 reviews and shall verify that funds made available for obligation in STARS do not exceed the authorized amounts reflected on the Advice of Allotments documents.

III.B.3.i. Each allotment recipient is responsible for establishing processes and procedures to ensure that its management of funds executed through the BFADS system is correctly recorded and reconciled in STARS and are in accordance with appropriation and apportionment restrictions.

III.B.3.ii. The CFO Office of Finance and Accounting prepares Standard Form 133 “Report on Budget Execution and Budgetary Resources” every month, including those months that the Department is not required to report to the Department of Treasury’s Government- wide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

This review serves as another internal control process for the reconciliation of budgetary resources.

III.C. Transactions between Appropriations and Fund Accounts

Transactions between Appropriations and Fund Accounts accounted for either on a non-expenditure or an expenditure basis.

III.C.1. Non-Expenditure Transactions

Non-expenditure transactions are transactions in which both the withdrawal and the credit occur at the funds balance with Treasury level within the Treasury reporting. The transactions are not recorded or reported as obligations, expenditures, or reimbursements. They are documented on SF-1151, “Non-Expenditure Transfer Authorization,” and processed directly to Treasury without being reported on SF-224, “Statement of

Transactions."

These types of transactions include: authorized transfers between two DOE appropriations accounts and 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 OMB through CFO and no approval of transfer apportionment is possible without existing authority for the transfer. Detailed guidance for non-expenditure transactions can be found in I TFM 2-2000.

III.C.2. 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.

IV. REFERENCES

IV.A. CFO Act, Public Law (P.L.) 101-576 requires agencies to integrate budget and financial information.

IV.B. Public Law 101-510 (31 U.S.C. 1551-1557); the National Defense Authorization Act for Fiscal Year 1991; and OMB Circular A-11 all 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 fifth fiscal year after the account's availability ends. Any remaining balances in the account must be canceled and will be unavailable for obligation or adjustment for any purpose.

IV.C. Additional information on administrative control of funds can be found in Chapter 2 of the DOE Financial Management Handbook.

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[1] Appropriate formal reprogramming actions require OMB review and an additional 30 day Congressional notification period separate from the 30 day review of CFO.
[2] See "FY 2025 FEDERAL PROGRAM INVENTORY AND ASSISTANCE LISTING REPORTING INSTRUCTIONS," Office of Management and Budget, August 25, 2025.
[3] ibid
[4] Budget Execution Officers are designated by the Head of the Departmental Element as specififed in 5.b.(2) of DOE Order 130.1, *BUDGET PLANNING, FORMULATION, EXECUTION, AND DEPARTMENTAL PERFORMANCE MANAGEMENT.* The CFO Office of Financial and Audit Management maintains the current list of Budget Execution Officers and other designated financial management personnel within DOE Departmental Elements.

SUBJECT: JULY 2026 UPDATE TO CHAPTER 3.1, BUDGET EXECUTION TOPICS AND ACCOUNTING FOR APPROPRIATIONS

1. EXPLANATION OF CHANGES: These changes add language to DOE policy for compliance with the Federal Program Inventory Requirements and maintenance updates to Sections II.D and III.A to Financial Management Handbook Chapter 3.1, *Budget Execution Topics and Accounting for Appropriations.*

2. LOCATIONS OF CHANGES: Added section II.E. Federal Program Inventory and revisions to Section II.D and III.A to Financial Management Handbook Chapter 3.1, *Budget Execution Topics and Accounting for Appropriations.*

Page	Section	Section Title	Summary
3.1-8	Section II.D	Departmental Base Table	Maintenance updates to II.D (Departmental Base Table)
3.1-9	Section II.E	Federal Program Inventory	Adds DOE policy for compliance with the Federal Program Inventory Requirements, including responsibility for Budget Execution Officers to ensure alignment between the Federal Program Inventory and DOE's Financial Assistance Listings.
3.1-11	Section III.A	Appropriation Warrant	Updates to section III.A to reflect current Treasury procedures for issuing warrants during a CR.

CHAPTER 3.2:
REQUISITIONS

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I. INTRODUCTION

I.A. Purpose and Scope

This chapter establishes Department of Energy (DOE) requirements for the submission and approval of requisitions used to request and authorize actions that establish or modify contracts, financial assistance awards, and other transaction (OT) agreements. A requisition is an internal request that authorizes the appropriate officer—a Contracting Officer (CO), Grants Officer (GO), or Agreement Officer (AO)—to enter into a binding agreement with a Federal or non-Federal entity. Procurements are approved by a Contracting Officer (CO), financial assistance agreements are approved by a Grants Officer (GO), and OT agreements are approved by an Agreement Officer (AO).

Requisitions capture essential information, including the requirement description, business justification, and estimated cost. They document the required budgetary and programmatic approvals, helping ensure that planned obligations and expenditures align with available budgets, program objectives, and organizational policies. Requisitions apply to transactions with Federal and non-Federal entities, including procurements, financial assistance awards, and OT agreements.

An approved funding requisition results in the commitment, or reservation, of funds in DOE's accounting system, the Standard Accounting and Reporting System (STARS). Funds are obligated when the contract, award, or OT agreement is finalized. As a critical internal checkpoint, the requisition process promotes transparency, accountability, and compliance; provides a clear audit trail; and helps prevent unauthorized spending.

I.B. Exclusions

I.B.1. Process-level guidance

This chapter does not provide detailed process-level guidance on use of DOE's procurement system. The Office of Management provides process-level guidance for use of the system.

I.B.2. Suitability and Availability of Funds Process

This chapter does not provide guidance regarding DOE's Suitability and Availability of Funds (SAF) process for financial assistance awards.[1] See section VI.B of this chapter for special procedures to follow when funding for an award has already been reviewed as part of the SAF process.

I.B.3. Excluded Transaction Types

[1] Current guidance regarding the SAF process is specified in the May 12, 2026, joint CFO and Office of General Counsel memorandum, "Updated Suitability and Availability of Funds Guidance and Template," which is available on the CFO Financial Direction Resources site.

The following transaction types are excluded from the requirements in this chapter:

- Miscellaneous Obligations (see Chapter 5 of the DOE *Financial Management Handbook*)
- Purchase card transactions
- Interagency agreements (see section VIII of Chapter 13.1 of the DOE *Financial Management Handbook*)

I.C. Applicability

This chapter is applicable to all Departmental Elements, including the National Nuclear Security Administration and the Power Marketing Administrations.

This chapter does not apply to contractors.

I.D. Exception Requests

Any requests for exceptions to the requirements in this chapter should be provided to the CFO Office of Financial and Audit Management (CF-20) and must be approved by the CFO and the Cognizant Senior Procurement Executive.

II. KEY REQUIREMENTS

II.A. Use of DOE's System of Record

Requisitions are processed through the Department's procurement system of record (currently the Strategic Integrated Procurement Enterprise System or STRIPES) unless an exception is approved. Identified exceptions are noted in section VI of this chapter.

II.B. Availability of Funds

Funding authorized for obligation through a requisition must be available for the purpose of the requested transaction, in the amount specified, and for the time period in which the requested transaction will be finalized.

II.C. Consistency with Policy Objectives

Approved requisitions must be consistent with current program requirements, policy direction, and DOE leadership direction.

II.D. Timeliness

Officials designated to make decisions on requisitions must make timely decisions—generally within five business days. Specific due dates for actions required to maintain current operations or activities should be clearly conveyed to the designated officials by the relevant program.

III. DESIGNATED POSITIONS FOR REQUISITION APPROVAL

III.A. Designated Positions

III.A.1. Program Approving Official

The Program Approving Official (or "Program Office—Non-Budget Approver" as defined in STRIPES) is designated by the Head of the Departmental Element to ensure policy alignment for the requested action.

Departmental Elements without a designated policy position should consult with the Chief of Staff for the Office of Management to determine the appropriate Program Approving Official. (Not applicable to NNSA, the Office of Intelligence and Counterintelligence, and the Power Marketing Administrations).

Offices can designate more than one individual as a Program Approving Official. Offices that process a high volume of requisitions should designate a sufficient number of Program Approving Officials to handle the anticipated requisition volume. Designating multiple officials can also prevent processing delays when a specific individual is not available.

Programs managing M&O contracts should designate separate Program Approving Officials for M&O contract requisitions. See VI.A. of this chapter.

III.A.2. Budget Approving Official

The Budget Approving Official certifies use of funds for the requested action. The Budget Approving Official must be designated by the Budget Execution Officer. Per DOE Order 130.1B, the Budget Execution Officer is the recipient of funding allotments from the CFO, which provides obligational authority.

Offices can designate more than one individual as a Budget Approving Official. Offices that process a high volume of requisitions should designate a sufficient number of Budget Approving Officials to handle the anticipated requisition volume. Designating multiple officials can also prevent processing delays when a specific individual is not available.

Programs managing M&O contracts should designate separate Budget Approving Officials for M&O contract requisitions. See VI.A. of this chapter.

III.A.3. Reviewing Official

The Reviewing Official is an optional role assigned per Departmental Element discretion. The Reviewing Official provides program visibility and quality control for ongoing actions. (Note that the reviewing official role in STRIPES is described as the "STRIPES Program Office Budget" role).

Summary of Requisition Review and Approval Roles

Title	Requisition Approval Role	Designated by:	Mandatory
Program Approving Official ("Program Office—Non-Budget Approver" in STRIPES)	The proposed action is consistent with applicable policy & guidance. See section V of this chapter	Head of the Departmental Element	Yes
Budget Approving Official	Review and approve the funding cited for the proposed action. See section IV of this Chapter	Budget Execution Officer	Yes
Reviewing Official ("STRIPES Program Office Budget")	Not required for requisition approval. Allows visibility on current actions.	Head of Departmental Element, Budget Execution Officer, or Designated Financial Officer	No

III.B. Annual Review and Certification of Designated Positions

All Departmental Elements must recertify their designated positions for requisition approval annually, or when an individual occupying a designated position leaves the position. Recertifications must be approved by the Head of the Departmental Element and Budget Execution Officer.

Recertifications must be provided to the DOE Office of Management and the Office of the CFO consistent with current processes.

III.C. Inherently Governmental Function

The approval of requisitions represents a Governmental decision relating to the use of Governmental resources, and thus constitutes an inherently governmental function as defined by OMB Circular A-76 and the FAIR Act (P.L. 105-270). Thus, the function cannot be assigned to contractors.

III.D. Maintain Segregation of Duties

The same individual cannot be designated as both the Program Approving Official and the Budget Approving Official.

III.E. Routing Requisitions for Approval

III.E.1. Routing for Program Approving Officials

Requisitions must be approved by a Program Approving Official who can satisfy the requirements for requisition approval specified in section V of this chapter. When a requisition includes funding from multiple offices, the approving official may need to consult with the designated officials for other offices before approving the requisition.

III.E.2. Routing for Budget Approving Officials

Requisitions must be approved by a Budget Approving Official who can satisfy the requirements for requisition approval specified in section IV of this policy. When a requisition includes funding from multiple offices, the approving official may need to consult with the designated officials for other offices before approving the requisition.

IV. BUDGETARY APPROVAL OF REQUISITIONS

IV.A. Designation of the Budget Approving Official for Requisitions

The Budget Approving Official for Requisitions must be designated by the Budget Execution Officer. The Budget Execution Officer, as defined in DOE Order 130.1B, is responsible for ensuring the appropriate execution of the funding allotted to each Departmental Element.

IV.B. Consistency with Program Spend Plans

Departmental Elements are responsible for managing their budget execution in a manner consistent with spend plans submitted to the Office of Management and Budget. Requisitions should not conflict with submitted spend plans.

IV.C. Requirements for Funding Approval

Requisitions are prepared and routed for approval when appropriate management officials have determined there is a programmatic need for the requested action. The role of the Budget Approving Official is to ensure that the funding cited on the requisition is available for the purpose of the requested transaction, in the amount specified, and for the time period in which the requested transaction will be executed. The Budget approving Official is not expected to reassess decisions made by management regarding the programmatic utility and benefit of the action that would be authorized by the requisition.

IV.C.1. Purpose

The Budget Approving Official must verify that the requested award is consistent with the purpose for which the funding cited on the requisition was appropriated (31 U.S.C. 1301). The Budget Approving Official must also ensure adherence to any restrictions and limitations included in apportionments and allotments.

The Budget Approving Official should identify any circumstance that creates a reasonable question regarding whether the proposed use of funds is consistent with the purpose for which the funds were appropriated. Resolving questions on the purpose of appropriated funding requires an assessment of the statute providing the funding, and thus should be referred to the Office of General Counsel, Associate General Counsel for Finance and Information Law (GC-22), site counsel, or the NNSA General Counsel, as appropriate. The Budget Approving Official may rely upon prior GC review of funding sources when approving a requisition, notably through the SAF process (see VI.B of this chapter).

When consistent with local procedures, the Budget Approving Official may obtain funding verification from another official designated by the Budget Execution Officer.

IV.C.2. Amount

For requisitions processed in STRIPES, funding availability is assessed through a system interface with the DOE accounting system (STARS). The system will not process the requisition if the funds cited are not currently available in the amounts specified.

For Departmental Elements that do not use STARS, funding availability is assessed in the Departmental Element's primary accounting system prior to creating the requisition in STRIPES.

IV.C.3. Time

IV.C.3.i. Current Availability for Obligation

For requisitions processed through the Department's procurement system of record (currently STRIPES), the system will determine whether the cited funds are currently available for obligation.

For Departmental Elements that do not use STARS, funding availability is assessed in the Departmental Element's primary accounting system prior to creating the requisition in STRIPES.

IV.C.3.ii. Time Limitation

For time-limited funds, the Budget Approving Official must ensure that the period of performance for the contract, award, or agreement does not exceed the time period in which the funding is available for payment. Time limited funds are cancelled five years after the funds expire for purposes of obligation and can no longer be used for payments (31 U.S.C. 1552(a)). See also section IV of Chapter 5 of the DOE *Financial Management Handbook*, "Accounting for Obligations."

For contracts or OT agreements resulting in the provision of severable services, the allowable period of performance is shorter. Severability determinations are made by the CO or AO. Thus, the Budget Approving Official should consult with the CO or AO as needed to determine whether the planned action results in the procurement of several services.

Guidance on severability determinations is contained in section IV of Chapter 5 of the DOE *Financial Management Handbook*, "Accounting for Obligations," and the DOE Acquisition Guide, Chapter 32-703-3, "Time-Limited Funding on Contract Planning, Award, and Administration."

IV.D. Multiple Funding Sources for Financial Assistance and Other Transactions

IV.D.1. General Guidance

It is preferable to avoid citing multiple funding sources on the same award or agreement. When multiple funding sources are identified for Financial Assistance Notice of Funding Opportunity (NOFO), Broad Agency Announcement, or Request for Agreement Announcements, a single funding source should be chosen for each individual award whenever possible.

IV.D.2. Funding from Separate Appropriations or Congressional Control Points

IV.D.2.i. Separate Sources Equally Available for the Purpose of a Single Award or Agreement

DOE may have funding from separate Congressional control points (C-parents) that are equally available for the purpose of a single award or agreement. This may occur when DOE receives funding outside of the normal annual appropriations process, such as through a supplemental appropriations bill or a mandatory spending bill, or when a single award or agreement supports multiple DOE program outcomes.

The following requirements apply to any requisition made for a single award or agreement that cites funding from multiple separate Congressional control points:

- The Office of General Counsel must review and concur that the separate funding sources are equally available for the purpose of the planned award or agreement, and
- Advance notice must be provided to the cognizant Designated Financial Officer (DFO) because manual adjustments may be necessary to properly record the costs incurred. See III.C.3 of Chapter 14 of Financial

Management Handbook, “Financial Assistance and Other Transactions.”

IV.D.2.ii. Funding Sources with Statutorily Separate Purposes

Funding available for different statutory purposes cannot be commingled on the same award or agreement. To ensure the appropriate assignment of costs to the separate funding sources, separate awards or agreements must be issued for each funding source.

Any exceptions must be granted by the CFO. The CFO will only consider exception requests when the cognizant Designated Financial Officer (DFO) certifies that supplemental recipient reporting will be provided in such a manner that will allow for costs to be allocated accurately to the separate funding sources.

IV.E. Multiple Funding Sources for Procurements

IV.E.1. Management and Operating (M&O) Contracts

Separate funding lines obligated on a DOE M&O contract are specified by the cognizant Designated Financial Officer (DFO) consistent with local procedures. M&O contractors must assign costs in a manner consistent with the Obligation of Funds contract clause (48 CFR 970.5232-4).

IV.E.2. Other Procurements

When practical, funding from separate appropriations or Congressional Control points (C-Parents) should be obligated to separate Contract Line Items (CLINs) or task orders. This ensures that costs are recorded accurately to the separate funding sources during contract execution.

Exceptions are permitted when the goods and services procured are:

- For the benefit of multiple separate funding sources with agreed-upon cost sharing between the different funding sources; and
- Unitary in nature so that it is not practical to divide the acquisition into separate CLINs.

V. PROGRAM APPROVAL OF REQUISITIONS

The Program Approving Official must ensure that requisitions are consistent with current program requirements, policy direction, and DOE leadership direction. This includes compliance with relevant Executive Orders, Regulations, and DOE programmatic guidance.

The proposed contract, financial assistance, or OT action is not approved and cannot move forward without approval from the designated Program Approving Official.

VI. EXCEPTIONS AND SPECIAL PROCEDURES

VI.A. Requisitions for Management and Operating (M&O) Contracts

Requisitions for M&O contracts are processed regularly by the cognizant office to increase or decrease amounts made available under existing funding lines, or add or remove funding lines. M&O contract actions regularly affect hundreds of separate funding sources and frequently must be processed quickly to avoid disruptions to mission work. Funding is provided to the cognizant office through the preallocation process in DOE's budget system, BFADS. The requirements of section IV.C of this chapter are not applicable to M&O contract requisitions because the funding is approved for obligation on the M&O contract at the time the preallocation is made.

Departmental Elements with cognizance over M&O contracts should designate officials specifically to review and approve M&O requisitions who are familiar with current procedures for M&O contract obligations and can process requisitions in a timely manner. See III.A.1. and III.A.2 of this chapter.

VI.B. Nonduplication with the Suitability and Availability of Funds (SAF) Process

DOE's Suitability and Availability of Funds process was established to (1) ensure program budget and legal review of planned funding sources for financial assistance awards prior to issuance of a Notice of Funding Opportunity and (2) ensure leadership review of planned awards.

The requirements in this chapter are not intended to duplicate the SAF program budget and legal review process. Requisitions for awards that have already been reviewed through the SAF process do not require additional, substantive budget and program review. When reviewing a proposed requisition, the Program Reviewing Official and the Budget Approving Official can rely on prior approvals of the Notice of Funding Opportunity or of individual awards made through the SAF process.

VI.C. Nonappropriated Power Marketing Administration Funding

The requirement in IV.E.2. of this chapter does not apply to nonappropriated funding made available to the Western Area Power Administration (WAPA), the Southwest Power Administration (SWPA), and the Southeast Power Administration (SEPA). The Budget Approving Officials for WAPA, SWPA, and SEPA are responsible for validating that the use of nonappropriated funding consistent is appropriate for the requisition.

VI.D. Requisitions Processed Outside of STRIPES

The Office of Science and the Western Area Power Administration have

arrangements current as of October 1, 2026, to fully or partially process requisitions outside of STRIPES. Current system processes may continue for these existing arrangements. However, the Office of Science and the Western Area Power Administration are responsible for obtaining program approval consistent with the substantive guidance in section V. of this chapter and budgetary approval consistent with the substantive guidance in section IV of this chapter.

VII. DEFINITIONS

- **Requisition**. A requisition records budgetary and programmatic approval of transactions with Federal and non-Federal entities, including procurements, financial assistance awards, and OT agreements, and authorizes a CO, GO, or AO to enter into a binding agreement with a non-Federal entity.
- **Broad Agency Announcement.** A general competitive notice of an agency's research interest that solicits scientific or R&D proposals from the public.
- **Notice of Funding Opportunity (NOFO)**. A public notice of funding available for financial assistance awards.
- **Request for Application (RFA)**. A public request for applications for OT agreements, which may include Partnership Intermediary Agreements (PIAs) and Technology Assistance Agreements (TIAs).

VIII. REFERENCES

- DOE Order 130.1B, *Budget Planning, Formulation, Execution, and Departmental Performance Management*, provides DOE direction regarding budget execution requirements, roles, and responsibilities.
- DOE *Financial Management Handbook* Chapter 5, “Accounting for Obligations,” which provides guidance on recording obligations, including obligations for time-limited funds.
- DOE *Financial Management Handbook* Chapter 3.1, “Budget Execution Topics and Accounting for Appropriations,” describes the process by which DOE compiles the base table that details relevant Congressional budgetary control points, or C-Parents.
- DOE Financial Management Handbook Chapter 14, “Financial Assistance and Other Transactions,” provides guidance regarding the appropriate recording of costs when multiple funding sources are obligated on the same financial assistance award or OT agreement.
- DOE Acquisition Guide, Chapter 32-703-3, “Time-Limited Funding on Contract Planning, Award, and Administration.”
- The Purpose Statute, 31 U.S.C. 1301, which reads in part “Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.”

CHAPTER 4

DOE ACCOUNTING STRUCTURE, ORGANIZATION, AND SYSTEMS

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I. INTRODUCTION

I.A. Purpose

This chapter provides an overview of the Department of Energy's (DOE or Department) financial and accounting organizational structure and its primary accounting system and related financial systems.

As prescribed in Public Law 101-576 the *Chief Financial Officers (CFO) Act of 1990 (CFO Act)* and DOE Order 520.1B (current version) *Financial Management and Chief Financial Officer Responsibilities*, the CFO is to direct, manage, and oversee financial management personnel, activities, and operations. Establishing an effective financial organization structure is essential for fulfilling these responsibilities. Section II of this chapter provides an overview of DOE's accounting organization structure, to include contractor responsibilities for accounting and cost reporting.

The CFO Act and DOE Order 520.1B (current version) also requires the CFO to develop and maintain an integrated agency accounting and financial management system. Section III of this chapter provides an overview of DOE's financial management system structure.

I.B. Applicability

This chapter applies to all Departmental elements and integrated site/facility management contractors. The chapter also applies to nonintegrated site/facility management contractors when specified by contract.

I.C. Key Accounting Requirements

I.C.1. To maintain a reliable, complete, and verifiable accounting system based on the accrual method of accounting in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities as established by the Federal Accounting Standards Advisory Board (FASAB), and internal control standards [31 U.S.C. 902(a)(3)(A)];

I.C.2. To ensure accurate and timely reporting of financial information consistent with the requirements specified by the Office of Management and Budget (OMB), applicable instructions provided by the U.S. Treasury Department, and other relevant statutory requirements;

I.C.3. To ensure proper funds control so that funding is used for the appropriate purpose, within the available timeframe, while staying within the available amount (i.e. ensure that obligations and payments do not exceed funds appropriated by Congress);

I.C.4. To ensure that integrated contractors' accounting practices conform with GAAP, contain sufficient details to account for all

DOE funds, assets, liabilities, revenues/reimbursements and costs; produce accurate results; provide the necessary DOE financial reports; and comply with the standards of the Cost Accounting Standards Board, as implemented by DOE policy in the Chapter 15 series of the Financial Management Handbook (Handbook).

II. ACCOUNTING STRUCTURE AND ORGANIZATION

II.A. System of Accounts

DOE uses the U.S. Standard General Ledger (SGL) chart of accounts which is consistent with U.S. Treasury requirements and GAAP.

Table 1: SGL Chart of Account Summary

SGL Chart of Accounts	
100000	Assets
200000	Liabilities
300000	Net Position
400000	Budgetary
500000	Revenue and Other Financing Sources
600000	Expenses
700000	Gains/Losses/Miscellaneous Items
800000	Memorandum
900000	Agency specific

The Department's detailed SGL account codes, definitions, and related financial codes are maintained by the CFO Office of Finance and Accounting (CF-10).

Although a uniform classification of accounts is prescribed for DOE elements, each Power Marketing Administration (PMA) and the Federal Energy Regulatory Commission (FERC) may have a chart of accounts based on its own requirements (See sections II.F. and II.G.). Integrated contractors (discussed in section II.D) also maintain their own set of accounts, but those accounts crosswalk to DOE's system of accounts.

II.B. Accounting Objectives

II.B.1. Proprietary Accounting

Within the Department's SGL chart of accounts is a self-balancing set of proprietary accounts. Proprietary accounts are used to account for the assets, liabilities, revenues, expenses, and other accounting information in DOE's primary accounting

system, the Standard Accounting and Reporting System (STARS).

Proprietary account information from the various entities within DOE is consolidated and summarized for the Department's financial statements, and other external reporting.

II.B.2. Budgetary Accounting

Within the SGL chart of accounts, DOE also has a self-balancing set of budgetary accounts (i.e. the 400000 series of accounts). Budgetary accounts are used to control budgetary resources throughout their lifecycle consistent with appropriations law and direction provided by the U.S. Treasury and OMB.

Budgetary account information is consolidated for the financial statements and other external reporting. STARS contains both proprietary and budgetary accounting data.

II.B.3. Cost Accounting

Cost accounting serves the information needs of management by capturing the costs associated with DOE activities.

DOE's standard accounting system, STARS, does not perform detailed cost accounting, however, the system contains information on the total costs incurred against separately funded DOE activities. STARS provides Department-level cost information for DOE's financial statements as required by GAAP and OMB Circular A-136 *Financial Reporting Requirements.*

The cost of DOE activities includes relevant contract costs. DOE contractors follow contract Cost Accounting Standards (48 Code of Federal Regulations Chapter 99) when assigning contract costs to separately funded DOE activities. Chapter 15.1 of the *Financial Management Handbook*, "DOE Application of Contractor Cost Accounting Standards," includes additional information on contractor cost accounting practices.

II.C. DOE Roles and Responsibilities

Roles and responsibilities for DOE Accounting are specified in DOE Order 520.1B (current version), *Financial Management and Chief Financial Officer Responsibilities.*

II.D. Integrated Contracting Model

II.D.1. Contract Requirements

Many DOE site/facility management contracts contain the integrated accounting contract clause (48 CFR 970-5232-8). The clause requires the contractor's financial management system to be integrated with DOE's accounting.

The current list of contracts requiring integrated accounting is specified in the site/facility management contract list maintained by the DOE Office of Acquisition Management within the Office of Management.

II.D.2. Operational Relationship with DOE

The integrated contractors develop financial and accounting data supporting their management and operation of DOE laboratories, plants, and sites. The operational relationship has the following characteristics:

II.D.2.i. The contractor has limited financial risk,

II.D.2.ii. The contractor ensures the proper use of public funds,

II.D.2.iii. The contractor must maintain a separate set of accounts and records for recording and reporting all business transactions under its DOE Contract; and

II.D.2.iv. The contractor maintains accounts integrated with DOE reciprocal accounts that conform to GAAP, produce accurate results, and provide the necessary DOE financial data.

Contractors must maintain documentation that substantiates and reconciles with the financial information reported to DOE. Records substantiating DOE financial reporting must be retained consistent with General Records Schedule (GRS) 1.1. As required by GRS 1.1, records relating to DOE assets and liabilities must be retained until 2 years after the asset is disposed of or the liability is removed from DOE's financial statements. Supporting documentation must be available in a timely manner for DOE inspection and external audits.

II.D.3. Detailed Contractor Reporting Requirements

Integrated contractors provide monthly trial balances for upload into DOE's primary accounting system (STARS) consistent with the detailed instructions and templates developed by CFO Office of Finance and Accounting.

All reported information must be consistent with DOE accounting requirements as specified in the Handbook.

II.D.4. Contractor Costs and Institutional Cost Reporting

The integrated accounting information provided in the contractors' monthly trial balances and uploaded into the DOE primary accounting system (STARS) does not provide cost breakdowns for integrated contractors by major elements such as labor, materials, and indirect costs for individual efforts

executed by contractors. Such lower levels of cost detail are contained in each contractor's individual accounting system.

Integrated contractors must provide separate reporting on costs by function (e.g. maintenance, utilities) through annual institutional reports, consistent with current requirements specified by the CFO Office of Finance and Accounting.

II.E. NNSA Financial Management Integration Reporting

II.E.1. Overview

The National Nuclear Security Administration (NNSA) has established a financial management integration reporting structure to meet the cost reporting requirements of section 3128 of the National Defense Authorization Act for Fiscal Year 2014 (FY 2014 NDAA) (P.L. 113-66) and section 3113 of the FY 2017 NDAA (P.L. 114-328).

Section 3123 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (P.L. 117-263) requires the Deputy Chief Financial Officer to determine standardized indirect cost elements to be reported by management and operating contractors that receive funds to perform work for NNSA, to include contractors managed by other DOE offices.

The CFO Act also charges the CFO to establish an integrated agency accounting and financial management system that provides for the development and reporting of cost information (31 U.S.C. 902 (a)(3)(D)(ii)). DOE-wide support for NNSA financial management integration reporting is consistent with the statutory objectives of the CFO Act.

II.E.2. Reporting Requirement

Not later than October 1, 2025, all DOE management and operating contractors performing work for NNSA must report cost information on a monthly basis in the cost execution financial integration system known as CostEX. Cost reporting must be provided for all NNSA-funded activities, except for the activities of the Joint Navy/DOE Naval Nuclear Propulsion Program.

Specific data reporting requirements are specified in the CostEX system, consistent with the objectives defined in NNSA Policy (NAP) 412.1, *Financial Integration*. Indirect cost reporting must conform to the data elements and structures defined in the CostEX system. Conformity does not require a modification to the management and operating contractor's disclosed indirect cost model (i.e., conformity can be achieved by the contractor performing a crosswalk between its disclosed indirect cost model and the data elements and structures in the CostEX system).

II.E.3. Reconciliation with Financial Accounting Information

Contractor costs reported in the CostEX system must reconcile with the financial accounting information reported by contractors in STARS (see II.D.3 of this policy regarding the monthly financial accounting reporting requirements). This reconciliation is performed through a series of upfront edits in CostEX that produces errors if the costs being reported do not agree with STARS and will not allow upload in CostEX until errors are resolved.

II.E.4. Protection of Proprietary Information

Financial management integration cost data reported by contractors may include proprietary information regarding the contractor's cost accounting practices. To protect contractor proprietary information, access to detailed-level financial management integration data is limited to Federal employees with a need to access the information.

NNSA must establish appropriate controls and procedures to ensure the protection of contractor proprietary information when reporting financial management integration cost data.

II.F. Nonintegrated Contractors

Nonintegrated contractors may be required to provide information that directly supports DOE financial reporting relating to DOE assets and liabilities, including contractor pension and benefits plans reported as DOE assets and liabilities and DOE's environmental liabilities. (See the Contractor Requirements Document contained in DOE Order 520.1B (current version)).

Nonintegrated contractors performing activities relevant to DOE financial reporting must retain records relating to DOE assets and liabilities until 2 years after the asset is disposed of or the liability is removed from DOE's financial statements. This allows DOE to comply with the requirements of General Records Schedule (GRS) 1.1. Supporting documentation must be available in a timely manner for DOE inspection and external audits.

Designated Financial Officers (DFO) specify specific financial reporting and accounting requirements applicable to nonintegrated contractors on a contract-by-contract basis and provide instruction on the tailored applicability of the Handbook as appropriate.

II.G. Power Marketing Administrations (PMAs)

PMAs are consolidation entities within the DOE financial reporting community that provide summary-level accounting information to the CFO Office of Finance and Accounting. The Office of Finance and Accounting maintains procedures for submitting this data consistent with financial reporting requirements. The PMAs' information is provided monthly for upload into the DOE primary accounting system (STARS).

The Western Area Power Administration (WAPA), the Southeastern Power Administration (SEPA), and the Southwestern Power Administration (SWPA) perform their primary accounting in compliance with GAAP for Federal entities as promulgated by FASAB. The Bonneville Power Administration (BPA) performs its primary accounting in a manner consistent with the accounting standards issued by the Financial Accounting Standards Board (FASB) and allowed per Statement of Federal Financial Accounting Standard (SFFAS) 34 *Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, and SFFAS 47 *Reporting Entity.*

II.H. Federal Energy Regulatory Commission (FERC)

FERC is an independent agency within DOE that regulates the interstate transmission of electricity, natural gas, oil, and hydropower. While DOE has limited authority over FERC's business operations, FERC is a consolidated federal reporting entity for DOE. FERC's information is consolidated into the DOE primary accounting system (STARS).

III. ACCOUNTING AND RELATED FINANCIAL MANAGEMENT SYSTEMS

III.A. Overview

The CFO Act of 1990 and DOE Order 520.1B (current version) prescribe that the CFO must develop and maintain an integrated agency accounting and financial management system.

The CFO Office of Corporate Business Systems (CF-40) Corporate Business Systems (CBS) Program consolidates and integrates Department-wide systems and business processes to integrate financial, budgetary, procurement, personnel, program, and performance information.

The CBS Program 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.

The CBS Program portfolio includes enterprise-wide systems initiatives such as those presented in Table 2 in Section III.B. below.

III.B. Table 2: Summary of Key Financial Management Systems

System	Description	Link to STARS
Standard Accounting and Reporting System (STARS)	STARS is the Department's financial management system, providing accounting, reporting, and performance measurement services. STARS is DOE's official accounting and reporting system that produces information for DOE's annual financial statements and is linked to the U.S. SGL. STARS is the foundation for linking budget formulation, budget execution, financial accounting, financial reporting, cost accounting, and performance measurement.	N/A
Budget Formulation and Distribution System (BFADS)	BFADS is DOE's budget execution and formulation system that distributes appropriated funds throughout the Department and contains appropriate Congressional and administrative controls. It is also used for budget planning.	Records and sends to STARS Budgetary Accounting activities: Apportionments, Allotments, Pre-Allocations, and Allocations.
Strategic Integrated Procurement Enterprise System (STRIPES)	STRIPES is the department's procurement, financial assistance, and contracts system.	Captures Commitments and Obligations at the contract level.
Vendor Inquiry Payment Electronic Reporting System (VIPERS)	VIPERS allows government vendors to enter invoices electronically.	Interfaces invoices into STARS for payment.
Financial Accounting Support Tool (FAST)	FAST allows DOE personnel to review and approve invoices electronically and record adjustments to monthly cost accruals.	Delivers approvals for the payment of invoices to STARS and monthly cost accrual adjustments.
Concur/Electronic Travel System 2 (ETS2)	Concur is DOE's web-based travel management service.	Captures travel obligations, receipts, and payments.
Corporate Human Resource	CHRIS is a portal to access a variety of human capital resources.	Captures all Human Resource actions, including those impacting

System	Description	Link to STARS
Information System (CHRIS)		payroll, and sends that information to DOEInfo, which interfaces with STARS.
DOEInfo	DOEInfo is a repository of information relating to the DOE federal workforce, including Personnel, Payroll, Salary, and Benefits information.	Updates STARS workforce, banking, and payroll information.
Integrated Data Warehouse (IDW)	IDW is a corporate enterprise system integrating financial, budgetary, procurement, personnel and program information. It is a central data warehouse that links common data elements from each of the Department's corporate business systems and serves as a "knowledge bank" of information about portfolios, programs or projects including budget execution, accumulated costs, performance achieved, and critical milestones met.	Uses data from STARS and other systems for analysis, and review.
Budget and Reporting Code System (BARC)	BARC is the Departmental system for creating and routing budget and reporting (B&R) codes used for formulation, execution, and reporting on budget activities.	B&R codes (9-digit alpha numeric code) used in BFADS are translated into the program value (7-digit numeric code) in STARS.
DOE Payment and Collection System (DOEPAC)	DOEPAC is DOE's internal payment and collection system which enables transfers of funds for inter-entity transactions between DOE and its integrated contractors, as well as, transactions between integrated contractors.	DOE-PAC transfers are captured in STARS as part of month-end accounting processes.
Learning Nucleus*	Learning Nucleus is the Department's learning management system for the administration and reporting of federal employee training.	Training obligations processed through Learning Nucleus interface with STARS.

*Learning Nucleus is a system managed and maintained by the Office of the Chief Human Capital Officer not by the CBS Program. The CBS Program assists as needed with the interface between Learning Nucleus and STARS.

IV. DEFINITIONS

IV.A. Consolidation Entity

A separately organized unit within DOE whose financial data is captured as part of DOE's consolidated financial statement reporting, and other external financial reporting.

IV.B. Departmental Element

A separately organized unit within DOE, consistent with the current DOE Organizational Structure. For purposes of the DOE accounting structure, the following represent Departmental Elements:

- The joint Navy/DOE Naval Nuclear Propulsion Program, which is organizationally a component of the National Nuclear Security Administration.
- The Federal Energy Regulatory Commission (FERC), which operates independently of DOE management direction.

IV.C. Integrated Contractor

An integrated contractor is required by contract to maintain a separate set of accounts for capturing the DOE contract activity with those accounts being integrated with DOE's accounts through using reciprocal accounts. Integrated contracts contain the Integrated Accounting contract clause (48 CFR 970-5232-8).

IV.D. Site/Facility Management Contractor

A contractor that manages DOE program objectives in conjunction with operating a DOE-owned facility such as a national laboratory. The current list of site/facility management contracts is maintained by the DOE Office of Acquisition Management.

V. ACRONYMS AND ABBREVIATIONS

BFADS	Budget Formulation and Distribution System
CFO	Chief Financial Officer
CHRIS	Corporate Human Resource Information System
DEAR	Department of Energy Acquisition Regulation
DFO	Designated Financial Officer
DOD	Department of Defense
DOE	Department of Energy

FASB	Financial Accounting Standards Board
FASAB	Federal Accounting Standards Advisory Board
FAST	Financial Accounting Support Tool
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
GRS	General Records Schedule
IDW	Integrated Data Warehouse
Interior	Department of Interior
OMB	Office of Management and Budget
PMA	Power Marketing Administration
SGL	Standard General Ledger
STARS	Standard Accounting and Reporting System
STRIPES	Strategic Integrated Procurement Enterprise System
VIPERS	Vendor Invoicing Portal and Electronic Reporting System

SUBJECT: LIMITED CHANGE TO CHAPTER 4, *DOE ACCOUNTING STRUCTURE, ORGANIZATION, AND SYSTEMS*

1. EXPLANATION OF CHANGES. This change primarily documents contractor requirements to: a) maintain supporting documentation that substantiates and reconciles with financial information provided to DOE, and b) provide that information to DOE and auditors in a timely manner when requested. This change explicitly states these existing requirements given audit findings from the fiscal year 2024 DOE financial statement audit citing inadequate supporting documentation for financial amounts.

2. LOCATIONS OF CHANGES: Substantive limited changes made throughout the document are summarized in the following chart.

Page	Section	Section Title	Summary
4-5	II.D.2.iv	Integrated Contracting Model - Operational Relationship with DOE	Adds language to explicitly state existing requirements that contractors should be maintaining supporting documentation for financial data provided to DOE and be able to provide that documentation to DOE and auditors in a timely manner when requested. The language also cites requirements from the General Records Schedule 1.1 regarding how long to retain documentation.
4-6	II.F	Nonintegrated Contractors	Adds language to explicitly state existing requirements that contractors should be maintaining supporting documentation for financial data provided to DOE and be able to provide that documentation to DOE and auditors in a timely manner when requested. The language also cites requirements from the General Records Schedule 1.1 regarding how long to retain documentation. Nonintegrated Contractors must meet these requirements to enable DOE to comply with these requirements.
4-10	III.B	Table 2: Summary of Key Financial Management Systems	Expanded description of IDW.

CHAPTER 5

ACCOUNTING FOR OBLIGATIONS

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I. INTRODUCTION

I.A. Purpose

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

An obligation is defined as a "definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States." (GAO-05-734SP Budget Glossary)

I.B. Applicability

This chapter applies to all Departmental elements. Applicability of the Financial Management Handbook (FMH) to the Power Marketing Administrations is discussed in Chapter 1 *Financial Management Handbook Overview*.

I.C. Policy

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

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

I.C.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.

I.C.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.

I.C.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 USC 1501(a).

I.C.5. Record all legal obligations even when authority for the obligation has been exceeded with regard to purpose, time, or amount.

I.C.6. Review, at least annually, all unpaid obligations.

I.C.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.

I.C.8. Maintain documentary evidence in support of all obligations.

I.C.9. Ensure that all final invoices are paid and that all unpaid obligations are deobligated before the cancellation of time-limited funds.

II. COMMITMENT AND CERTIFICATION OF FUNDS AVAILABILITY

In accordance with FMH 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.

III. RECORDING OBLIGATIONS

In accordance with the policy set forth in Section I.C. 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 includes preventing the over-recording and under-recording of obligations and meeting the standards for proper recording. Because the Department of Energy (DOE) has a wide 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 legal obligations.

IV. 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 USC 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 by more specific statutory authority, such as section 1073 of the *Federal Acquisition Streamlining Act of 1994 (41 USC 3902).* The *bona fide* needs rule applies to multiyear appropriations and single-year appropriations; **it does not apply to no-year appropriations**.

IV.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.

IV.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.

One partial exception to this basic rule for the funding of severable requirements is section 1073 of the *Federal Acquisition Streamlining Act of 1994* (41 USC 3902), which 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 (before 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 Chapter 32-703-3 *Time-Limited Funding on Contract Planning, Award, and Administration.*

IV.C. Travel with Time-Limited Funds

IV.C.1. General Rule

Obligations for travel are charged to funds available for obligation in the fiscal year that the travel occurs. When using time limited funds for travel that occurs in the next fiscal year, an office should consider that the current fiscal year is properly chargeable if the travel was identified as a bona fide need in the current fiscal year, the scheduling was beyond the control of the agency, and the time between procurement and performance is not excessive.

IV.C.2. Travel Spanning Fiscal Years

When the travel is a bona fide need of the current fiscal year, the entire cost of the trip may be charged to funds available for obligation in the current year, even if the travel begins in the current year and ends in a subsequent year.

When the portion of the travel occurring in subsequent fiscal years does not represent a bona fide need of the current fiscal year, the travel authorization must be modified to ensure that the expenses of the subsequent fiscal year (e.g., per diem and mileage) are charged to the funding available for obligation in the subsequent year.

IV.C.3. Travel Booked in the Current Year with Travel Occurring in the Following Year

When the travel is a bona fide need of the current fiscal year, the entire cost of the trip may be charged to funds available for obligation in the fiscal year that the travel was booked.

When the travel is not a bona fide need of the current fiscal year, only expenses paid in the current fiscal year (typically transportation paid in advance) may be charged to funding available for obligation in the current fiscal year. Expenses of the subsequent year must be charged to funding available for obligation in the subsequent year.

IV.C.4. Specific Annual Guidance

More specific guidance on accounting and obligations for travel during year-end periods is included in year-end guidance, *Agency Financial Report and Financial Statement Reporting Guidance*, provided by the CFO Office of Finance and Accounting.

IV.D. Training and Development

These expenses may be charged to the currently available time-limited funds in which the obligation is incurred even if the training may extend into the following fiscal year. See 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:

- The training meets a *bona fide* need of the current fiscal year;
- Scheduling of the training is beyond the agency's control; and
- 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*.

IV.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 before 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.

IV.F. Replacement Contracts

Replacement contract rules are applicable to situations when:

- The Department must replace original contracts due to termination, and
- The funding provided for the initial contract has expired and thus is not available for new obligations.

The replacement contract rules may apply when a contract is terminated because of:

- Default by the contractor or pursuant to a court order or
- Determination by a Contracting Officer that the award was improper due to explicit evidence the award was erroneous and when the determination is documented with appropriate finding of fact or law or by another competent authority (board of contract appeals, Government Accountability Office, or contracting officer) that the contract award was improper.

Under the replacement contract rules, 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.

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

IV.F.1. The original contract was made in good faith.

IV.F.2. 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

IV.F.3. The replacement contract must not exceed the size and 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

IV.F.4. The replacement contract must be awarded without undue delay, 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*.

IV.G. Adjustment(s) Increasing an Obligation after the Expiration of the Appropriation (Upward Adjustments)

Upward adjustments should be recorded and reported only as valid upward adjustments in accordance with requirements set in FMH Chapter 2, *Administrative Control of Funds*.

IV.H. Adjustment(s) Decreasing an Obligation after the Expiration of the Appropriation (Deobligations of Expired Funds)

Deobligation of expired funds should be reported as downward adjustments in accordance with requirements set in FMH Chapter 2, *Administrative Control of Funds*.

Please note:

IV.H.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.

IV.H.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.

IV.I. Closed Appropriations

In accordance with 31 USC 1552 and FMH 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 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 it is unclear whether funds are available that were appropriated for the same general purpose, consult with the CFO Office of Budget to determine whether current funds may be used to satisfy the unpaid obligation or whether a deficiency appropriation is needed.

The total amounts of payments or obligations associated with a closed account 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.

V. TYPES OF OBLIGATIONS

V.A. Contracts

V.A.1. Site Facility/Management Contracts (including Management and Operating Contracts)

Record an obligation based on the funding amounts specified by the financial plans that are included as part of the contract action or contract modification.

V.A.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.

V.A.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.

V.A.4. Cost Reimbursement Contracts and Time and Material Contracts

These 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.

V.A.5. Indefinite-Delivery Type Contracts

V.A.5.i. 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.

V.A.5.ii. **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.

V.A.5.iii. 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.

V.A.5.iv. 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.

V.A.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.

V.A.7. Other Contracts

V.A.7.i. 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.

V.A.7.ii. 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.

V.A.7.iii. 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 Section V.A.2.

V.A.7.iv. Lease Purchases and Capital Leases

Under OMB Circular A-11 *Preparation, Submission, and Execution of the Budget*, lease purchases and capital leases must be fully obligated at the beginning of the lease term (or the date of the first payment, whichever is earlier). Exceptions to this general rule include leases between Federal agencies if the lessor recorded the full cost of the asset when it was acquired, approved telecommunication systems, intragovernmental lease transactions with the General Services Administration (GSA Leases), Energy Savings Performance Contracts (ESPCs), or any other exception approved or permitted by the Office of Management and Budget.[1]

Additional information regarding accounting transactions for leases can be found in FMH Chapter 10, *Property, Plant and Equipment*.

V.A.7.v. Operating Leases

To qualify as an operating lease, the amount obligated must be an amount sufficient to cover the lease payments for the first year at a minimum, the amount of the lease payments over the minimum lease period plus any required cancellation payment. The definition of an operating lease for budgetary purposes is contained in OMB Circular A-11 *Preparation, Submission and Execution of the Budget*, Appendix B. Appendix B provides six criteria for an operating lease. If the lease agreement does not meet all six criteria, the lease shall be considered a capital lease or a lease purchase.

For rent or property leases (for which the Department is the lessee), normal Departmental practice is to structure the lease agreement so that it meets the six OMB

[1] Additionally, DOE Order 130.1A *Budget Planning, Formulation, Execution and Departmental Performance Management*, Section 4.B.(6)(a) sets forth the policy on notification to OMB regarding High Performance Computing.

requirements for an operating lease, including a cancellation provision.

OMB Circular A-11 *Preparation, Submission and Execution of the Budget* provides special rules for GSA leases funded through GSA's Federal Buildings Fund. The obligational requirements for such leases are the same as the requirement for operating leases, and DOE obligations are required only for the annual lease payment.

V.A.7.vi. 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 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 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.

V.A.7.vii. Condemnation Proceedings

For condemnation proceedings, obligate the estimated price of the land at the time the Attorney General is requested to start the proceedings, adjusted to the amount of the payment to be held in escrow when there is a declaration of the taking.

V.A.7.viii. Multi-year Service Contracts

Multi-year service contracts such as grounds maintenance and purchase contracts for expendable commodities should be obligated as if they were operating leases.

V.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. FMH Chapter 14, *Financial Assistance and Technology Investment Agreements*, provides additional information.

V.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.

V.D. Federal Payroll and Leave

Category	Obligation Instruction
Employee Salaries	Obligations occur when the salary is earned—when the work is performed.
Paid Time Off	Obligations for annual leave, sick leave, compensatory time, and other forms of compensated leave occur when the leave is taken. See Financial Management Handbook, Chapter 11, section III.E.2. for instructions regarding liabilities for paid time off.
Other Charges Based on Salaries	Living and quarters allowances; supplemental pay allowances under 5 USC 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 or compensated leave are earned and obligated.
Awards	Performance and incentive awards are obligated at the time the award is made and payable to an employee.
Lump Sum Payments for Leave	Obligations of payouts due for accrued annual and other compensated leave occur when an employee leaves service. The obligation is recorded against the fiscal year covering the employee's last day of service.
Severance Pay	Severance pay is provided to employees removed from service as part of a Reduction in Force (RIF). Severance pay is obligated as it is paid out on a pay period by pay period basis.

Category	Obligation Instruction
	When severance payments extend beyond the fiscal year of the RIF, it is improper to charge the entire amount of severance pay to the fiscal year in which the RIF occurs. See Financial Management Handbook, Chapter 11, section III.E. for instructions on recording payroll liabilities.
Voluntary Separation Incentive Program (VSIP)	Obligation for VSIP is at the time that the employee leaves Federal service. See Financial Management Handbook, Chapter 11, section III.E. for instructions on recording accruals for payroll liabilities.
Uniform Allowances	If the agency pays a cash uniform allowance, the obligation arises when the employee incurs the expense and becomes entitled to reimbursement.

V.E. Travel

V.E.1. Temporary Duty (TDY)

Record an obligation for TDY travel based on approved travel orders when a travel voucher is processed in the Departmental travel system. For TDY funded by time-limited appropriations that spans fiscal years, see Section IV.C.

V.E.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.

V.E.3. Local Travel

Usually, local travel costs are obligated based on receipt and approval of the traveler's claim voucher.

V.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 year end 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.

V.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.

V.H. Agreements with Other Federal Agencies

The Economy Act of 1932 (31 USC 1535) and the Atomic Energy Act are examples of authorities that allow DOE to enter into agreements to acquire or provide goods or services with other Federal agencies. FMH Chapter 13.1, *Reimbursable Work and Interagency Agreements*, provides the policies for funds-in agreements.

V.H.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 IV.E. When the agreement is executed by a transfer appropriation (Standard Form (SF) 1151, *Non-expenditure Transfer Authorization*), the obligation is recorded based on the obligation reported by the performing agency on its SF-133, *Report on Budget Execution*.

V.H.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 USC 1301.

V.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. FMH Chapter 13.1, *Reimbursable Work and Interagency Agreements*, provides the policies for cooperative work.

V.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. The amount obligated shall be based on the order placed with the other agency. When an order is placed for a variable quantity, the amount obligated shall be based on the estimated quantity to be delivered during the fiscal year.

V.K. Claims

V.K.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 USC 2672) out of appropriations made available by DOE. An award, compromise, or settlement in excess of $2,500 may be paid under the Permanent Appropriation or Judgement Fund (31 USC 1304(a)) if the payment is not otherwise provided for. If an award, compromise, or settlement cost is consistent with the purpose of available DOE appropriations, funds should be obligated using available DOE appropriations. Questions regarding whether an existing DOE appropriation provides funding for a specific award, compromise, or settlement should be referred to the Office of General Counsel.

V.K.2. Contractor Claims before the Board of Contract Appeals

If sufficient funds are not obligated under the contract, the Designated Financial Officer obligates funds in either of the following cases:

V.K.2.i. When a compromise or settlement agreement in favor of the contractor is executed 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.

V.K.2.ii. 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.

V.K.3. Claims before the U.S. Court of Claims

Contractors have the option of presenting their claims directly to the U.S. Court of Claims. Upon notification of such a claim, the finance office shall obligate funds in the same manner as described in Section V.K.2 above.

V.L. Inter-Entity Work

Detailed requirements for the Inter-entity Work Order Process are provided in FMH Chapter 12, *Inter-Entity Work between DOE Organizations*.

V.M. DOE Working Capital Fund (WCF)

Funds are obligated to the WCF when Departmental Elements provide those funds to the CFO for related purposes and CFO posts the funds to the Working Capital Fund.

V.N. 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 Designated Financial Officer shall obligate interest for the amount that is owed during the reporting month.

V.O. 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.

V.P. 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.

V.Q. Loan Programs

V.Q.1. Title XVII Loan Guarantees. Obligations shall be recorded for the credit subsidy cost of a loan guarantee made under the Title XVII Clean Energy Financing Program[2] at the time of conditional commitment, consistent with the provisions governing conditional commitment specified in 10 CFR 609.

V.Q.2. ATVM Loans. Obligations of the subsidy amount of loans made under the Advanced Technology Vehicles Manufacturing (ATVM) program[3] shall be made at the time of conditional commitment when the conditional commitment meets the requirements specified in 10 CFR 611.105(a).[4]

V.R. Other Miscellaneous Obligations

Other miscellaneous obligations, not otherwise specified in this policy, must be recorded when there is documentary evidence of the obligation, as specified in 31 USC 1501 or other applicable statute.

VI. 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

[2] Loan guarantees made under the authority of Title XVII of the *Energy Policy Act of 2005* (42 USC 16511-16516).
[3] Loans authorized under section 136 of the Energy Independence and Security Act of 2007, P.L. 110-140.
[4] 10 CFR 611.105(a) states that "Only an Agreement executed by a duly authorized DOE Contracting Officer can contractually obligate the government to make a loan made by and through the Federal Financing Bank with the full faith and credit of the United States government on the principal and interest."

responsibility to ensure the following minimum requirements are considered or used to adjust obligations:

VI.A. Modifications of Agreements

When contract modifications involve changes in amounts for any reason, including corrections of estimates, required obligation adjustments shall be recorded promptly upon approval of the contract modification.

VI.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. The deobligation shall be supported by contract modification or formal termination agreement, except in the cases of 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.

VI.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 two consecutive fiscal years.

VI.D. Special Requirements for Increasing Obligations

Adjustment(s) correcting an erroneously reported prior year deobligation must be made in coordination with the CFO Office of Finance and Accounting.

VI.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.

When conditions change and funds are no longer needed on a particular contract, in whole or in part, the funds are removed from the contract (deobligated). If the original unpaid obligation occurred in a prior fiscal year, these deobligations should be recorded and reported as a downward adjustment to prior year unpaid obligations (prior year deobligation) and are not available for obligation. Prior year deobligation within unexpired accounts that are subject to apportionment require reapportionment by the OMB before being reissued (issuance of a new allotment) by the CFO Office of Budget, Funds Distribution and Control Team for future obligation.

A reapportionment is a revision of a previous apportionment of budgetary resources for an appropriation or fund account. Agencies are required to submit requests for reapportionment to OMB as soon as a change becomes necessary due to changes in amounts available, program requirements, cost factors, or de-obligations/re-obligations above specific levels (OMB Circular A-11, Section 120).

The transition from one site/facility management contract to another contract managing the same facility requires advance planning to ensure that the prior-year funds are properly apportioned and available for obligation on the new contract. When DOE funds are moved from one site/facility management contract to a new site/facility management contract, the DOE funds must be deobligated from the closed contract. Any DOE funds that were originally obligated in a prior year must be reapportioned before the funds can be obligated on the new contract, even if the contractor remains the same. As soon as the new site/facility management contract is anticipated, written notice must be made to the Director of the Office of Budget and the CFO Funds Control and Distribution Team in order to facilitate requests for the required reapportionment requests. Whenever possible, contract transitions should be timed to occur when sufficient current-year funds are available for immediate obligation on the new contract.

Select DOE funds may be exempt from apportionment by law or by approval from the Director of OMB per OMB Circular A-11, Section 120. While these types of funds are exempt from the requirement to request apportionment, deobligation of these funds should be recorded and reported as a prior year deobligation (PYD) to ensure accurate financial reporting. Consult with the CFO Office of Budget, Funds Control and Distribution Team, for questions relating to DOE funds that are exempt in the apportionment system.

The following exceptions do not need to be recorded and reported as prior year deobligations and do not require reapportionment.

VI.E.1. Administrative changes to existing obligations do not constitute prior year deobligations

Transactions that make administrative or non-substantive changes to the accounting information of current obligations are not deobligations. Thus, such administrative changes to prior year obligations should not be recorded as prior year deobligations within STARS.

Generally, a transaction is considered an administrative change if it does not decrease the total dollar amount obligated; change vendor information (except as provided elsewhere in this policy); change the fund code; or reduce the funds available for the work scope specified by the contract or the work authorization.

Administrative changes would include recasts requested by the HQ CFO, corrections to erroneous transactions, administrative adjustments to reflect a change in the DOE office responsible for contract administration, and accounting adjustments that do not reduce the funding available to the contractor for a particular work scope. Examples of such accounting adjustments would include changes to a local use code made to ensure that expenditures are recorded appropriately or changes to an object class value when funds that were approved for a miscellaneous item of equipment (MIE) purchase are no longer needed for that purpose.

VI.E.2. Replacement Contracts

Expired funds may be used for replacement contracts under the limited circumstances described in Section IV.F. of this policy. Because they are expired, such funds cannot be reapportioned.

When replacement contracts are permitted, the funds deobligated from the vendor that was unable to complete the work scope should be marked as current year obligations. This allows the funds to be re-obligated on the replacement contract.

VI.E.3. Reimbursable Work Funding

As referenced in DOE Order 481.1E *Strategic Partnership Projects*, reimbursable work is performed by DOE under the authority of the Atomic Energy Act. Under the rules applicable to this authority, funding provided by customers is considered obligated at the time the work is accepted by DOE. Thus, subsequent DOE contract actions or other transactions needed to perform work under the scope of the original agreement, including the recording of a deobligation from a site/facility management contract, are not considered prior year deobligations as there is no change to the legal obligational status of the funding.

When a reimbursable work agreement is completed, the deobligation of any remaining funds obligated in prior years should be recorded as a prior year deobligation.

VI.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.

VII. REVIEW AND REPORTING OF OBLIGATIONS

VII.A. Periodic Review and Validation of Unpaid Obligations

Designated Financial Officers have primary responsibility for ensuring that all known transactions meeting the criteria of 31 USC 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.

VII.B. Annual Certification

Designated Financial Officers certify the accuracy of the balances contained on the Year end Closing Statement; specifically, they certify that all known obligations are recorded correctly and that each meets the criteria established in 31 USC 1501. Designated Financial Officers are also responsible to perform reconciliations of obligations (i.e., FDS to STARS. STARS to STRIPES, PO to GL). In addition, Designated Financial Officers are expected to continue to monitor their reports throughout the fiscal year, and report as directed by the CFO Office of Finance and Accounting.

Additionally, Designated Financial Officers 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 *Comprehensive Field Financial Review and Certification Standard Operating Procedure* (CFFR) provided by the CFO Office of Finance and Accounting.

VII.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 CFO Office of Budget.

SUBJECT: LIMITED CHANGE 2 TO CHAPTER 5, ACCOUNTING FOR OBLIGATIONS

1. EXPLANATION OF CHANGES. Changes clarify the obligation point for certain Federal employee salary and benefit actions.

2. LOCATIONS OF CHANGES:

Page	Section	Section Title	Summary
5-15	V.D.	Federal Payroll and Leave	Provides more specificity regarding the obligation of funds for specific actions relating to Federal Payroll and Leave.

SUBJECT: LIMITED CHANGE 1 TO CHAPTER 5, ACCOUNTING FOR OBLIGATIONS

1. EXPLANATION OF CHANGES. These changes provide clarification for travel and added a new section for Loan Programs.

2. LOCATIONS OF CHANGES: Substantive limited changes made throughout the document are summarized at the beginning of the chart.

Page	Section	Section Title	Summary
5-5, 5-6	IV.C.	Travel with Time-Limited Funds	Clarifies language relating to travel with time-limited funds. The revised language more closely aligns with the end-of-year guidance provided for FY 2023 by the Office of Finance and Accounting.
5-16	V.Q.	Loan Programs	New section added regarding obligations for loan programs (Title XVII and ATVM loans). The updates

			to the obligation point for Title XVII corresponds to a recent update to 10 CFR 609, Loan Guarantees for Clean Energy Projects. The obligation point for ATVM loans corresponds to the existing regulations at 10 CFR 611.

CHAPTER 6

PAYMENTS AND CASH MANAGEMENT ACTIVITIES

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I. Introduction

I.A. Purpose

This chapter delineates Department of Energy (DOE) procedures and policies for federal payments and cash management activities. Guidance herein supplements the guidance provided in the Treasury Financial Manual (TFM) published by the Bureau of the Fiscal Service, U.S. Department of the Treasury (Treasury).

I.B. Legal Authorities

Public Law 104-134, the Debt Collection Improvement Act of 1996 (DCIA); United States Code (USC), Money and Finance Sections 31 USC 3527-3528, 31 USC 3325, and 31 USC. 7701; and Internal Revenue Code Sections 26 USC 6041 and 26 USC 6050. Additional legal authorities are cited in this chapter.

I.C. Applicability

This chapter applies to Departmental elements and contractors, including the National Nuclear Security Administration (NNSA). The Power Marketing Administrations (PMAs) are subject to this chapter unless superseded by statutory authority.[1]

This chapter addresses Federal payments and cash management activities, including payments to DOE site and facility contractors. Applicable requirements for DOE site and facility management contractors relating to DOE payments are discussed in section II.F. and II.G. of this chapter. Site and facility management contractors are subject to the other specific provisions of the chapter contract activities include support for federal payments and cash management efforts. Site and facility management contractors should adopt applicable payment and cash management guidance in this chapter when consistent with contract requirements.

I.D. Exclusions

I.D.1. SmartPay Program. The U.S. General Services Administration (GSA) SmartPay Program will provide charge cards to be used for purchases and travel payments. This chapter does not establish policies for the SmartPay program. The DOE Office of Management (MA) administers the travel card and purchase card programs and will provide policy guidance applicable to DOE card programs.

I.D.2. Advance Payments. The accounting treatment and financial controls for advance payments are discussed in Chapter 7

[1] The Federal Columbia River Transmission System Act, the Government Corporation Control Act, etc.

Advances, Prepaid Expenses, and Other Assets of the *Financial Management Handbook*.

I.D.3. Collections. Collections for Reimbursable work discussed in Chapter 13.1 *Reimbursable Work and Interagency Agreements* and general collections are discussed in Chapter 13.2 *Collections* of the *Financial Management Handbook*.

I.D.4. Intragovernmental Payments and Collections. DOE uses Treasury's Intragovernmental Payment and Collection (IPAC) systems for most intragovernmental payments and collections. IPACs are subject to the Treasury rules and regulations.

II. Requirements

II.A. General Requirements

II.A.1. The Designated Financial Officer or Equivalent, establishes and maintains implementing procedural guidance for cash management activities as needed and monitors compliance with Departmental policy.

II.A.2. DOE will use Electronic Funds Transfer (EFT) consistent with statutory authority for payments and consistent with Treasury regulations and guidance.

II.A.3. OMB requires use of electronic invoicing for appropriate federal procurements.[2] The DOE Vendor Invoicing Portal and Electronic Reporting System (VIPERS) meets the OMB requirement and is the primary invoicing mechanism for DOE.

II.A.4. Payments and invoicing for DOE entities using the Standard Accounting and Reporting System (STARS) are processed by the Payment Services Team (PST) within the DOE Office of the Chief Financial Officer (OCFO) Office of Finance and Accounting.

II.A.5. Improper Payments and Payment Recapture Audit Requirements. Departmental Elements will comply with guidance issued by the OCFO Office of Finance and Accounting to implement the requirements of OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, Appendix C, Requirements for Payment Integrity Improvement.

II.A.6. Procedures for accounting for cash from receipt to final disposition will include safeguards and internal controls.[3]

[2] OMB Memorandum M-15-19, *Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing*
[3] DOE O 520.1B, *Financial Management and Chief Financial Officer Responsibilities*

II.A.7. Departmental Element's financial staff involved in recording cash transactions are responsible for recording the transactions accurately and maintaining the needed records and documentation.

II.A.8. Segregation of duties must be maintained to minimize the loss from theft, fraud, and error, assessed annually as part of the internal control evaluation process.

II.B. Payments to Non-Federal Entities

A principal objective of control over payments is to verify accurate payment of federal payments.[4]

II.B.1. Electronic Funds Transfer (EFT). DOE payments will be made by EFT.[5] Specific EFT requirements relating to contract payments are specified in 48 CFR 32.11.

II.B.2. System for Award Management Registration. Contractors and financial assistance recipients must be registered with the System for Award Management (SAM), unless a recipient is exempted under the applicable regulations.[6]

DOE uses SAM to obtain payment recipient Taxpayer Identification Number (TIN), Data Universal Numbering System number (DUNS) or successor entity identifier, banking information, legal business name, address, and government points of contact.

II.B.3. Taxpayer Identification Numbers. Each contractor doing business with the Department will furnish a Taxpayer Identification Number to the agency.[7] Individuals and invitational travelers will furnish a Social Security Number (SSN). Foreign vendors declining the option to register in SAM will provide an Internal Revenue Service (IRS) form W-8. Use of the TIN and SSN are required as directed by this chapter.

II.B.3.i. Use SAM to obtain TIN when only a valid DUNS or successor entity identifier is provided.

II.B.3.ii. Use the TIN or SSN to collect and report any delinquent amounts arising out of the contractor's relationship with the government.[8]

II.B.3.iii. TIN or SSN of the contractor or individual receiving payment is mandatory with each certified voucher

[4] I TFM Part 4, *Disbursing*; I TFM Part 5, *Deposit Regulations*; 5 CFR 1315, *Prompt Payment*; 48 CFR 32.11
[5] Pursuant to Public Law 104-134, the *Debt Collection Improvement Act of 1996* (DCIA), and 31 CFR 208
[6] 48 CFR 4.11 (for contractors) and 2 CFR 25 (for financial assistance recipients),
[7] Public Law 104-134, the *Debt Collection Improvement Act of 1996* (DCIA)
[8] 48 CFR 4.902

prepared by DOE payment offices and provided to a disbursing official.[9]

II.B.3.iv. TIN or SSN is mandatory for reporting of certain contract information and payment information to the Internal Revenue Service (IRS).[10]

II.B.3.v. In accordance with Prompt Payment Act requirements, invoices provided for payment will include the TIN or SSN.[11]

II.B.3.vi. Federal Backup Withholding Requirements. The DOE payment offices will begin backup withholding immediately,[12] when:

- Contractor refuses to provide a TIN.
- IRS notifies DOE which vendor is subject to backup withholding; or,
- IRS notifies DOE which vendor furnished an incorrect TIN.
- Backup withholding will be computed as directed in IRS Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(s)*.

II.B.4. Assigned Payments. Assigned payments will meet the requirements of I TFM Part 3 Chapter 6100, Centralized Offset of Assigned Payments; and other requirements established in this chapter.

II.B.4.i. For third-party assignments requested by vendors or individuals for contracts, purchase orders, or financial assistance agreements, DOE payment offices will:

- Obtain an official third-party assignment from the entity or individual due payment from DOE.
- Verify that the third-party recipient has an active registration in SAM.
- Obtain approval of the assignment from the invoicing approving official.
- Confirm that the assignment is valid with the applicable responsible official in procurement or the program office.

[9] 31 USC 3325(d)
[10] 48 CFR 4.903-4.904
[11] 31 CFR 1315.9
[12] 26 USC 3406, Internal Revenue Code

The responsible official could be the COR or the contracting officer.

II.B.4.ii. For third party assignment requests for settlements (such as Equal Employment Opportunity cases) in which there is no related DOE contract or agreement, the SAM rules do not apply and the court order applies. DOE payment offices will receive approved legal documents directing the payment and will obtain a memorandum from the applicable DOE budget office specifying the DOE funding source to be used for the payment. The approved legal documents will include an EFT banking form with instructions for payment.

II.B.4.iii. For assigned payments, DOE payment offices will verify that the entity or individual requesting the assignment does not owe a debt to the federal government. The DOE payment offices will verify if the entity or individual due the payment owes any debts that have been referred to the Treasury Offset Program (TOPS). Access to TOPS can be made through the Treasury's Do Not Pay System. If the entity or individual is listed in the TOPS database as owing funds to the government, the payment cannot be assigned to a third party. The payment will instead be directed to the entity or individual owed the payment for TOPS to collect the funds owed to the federal government.

II.B.5. IRS Reporting and Withholding Requirements. DOE is subject to the IRS reporting requirements for the payment of services and will file information returns for each calendar year for applicable payments.[13] Applicable IRS requirements and forms are identified in this chapter.

II.B.5.i. IRS instructions mandate minimum reporting criteria. DOE entities making payments may report contractor payments below the minimum reporting criteria for ease of reporting.[14] Information includes contractor's TIN or SSN as directed in paragraph II.B.3. of this chapter.

II.B.5.ii. Type of forms filed by DOE include:

- 1099-MISC (Miscellaneous Income).
- 1099-INT (Interest Income).

[13] 26 USC 6041A and 26 USC 6050M, Internal Revenue Code
[14] IRS.gov

- 1099-G (Certain Government Payments).
- 1099-C (Cancellation of Debt).
- 1099-NEC (Non-employee Compensation) (beginning calendar year 2020) or,
- 1042-S (Foreign Person's U.S. Source Income Subject to Withholding).[15]

II.B.5.iii The PST handles IRS reporting for the agency with the exception of Bonneville Power administration (BPA), Western Area Power Administration (WAPA) and Federal Energy Regulatory Commission (FERC). The PST also prints and mails IRS forms for the Southwestern Power Administration (SWPA) and Southeastern Power Administration (SEPA).

- The PST will consolidate payment information and forward the necessary information returns to the contractors and the IRS on behalf of DOE.
- If the PST is notified by the IRS that a contractor or vendor has provided an incorrect TIN, the PST will request the contractor or vendor fill out form W-9 or W-8 and make the necessary changes to SAM. The SAM information will be used to update the supplier record in STARS. If the vendor fails to provide the correct TIN, backup withholding is mandatory.[16]

II.B.6. Time Limitation for Payments Made by Treasury Check. Limited payability cancellation is the automatic cancellation by Treasury in the 14th month after a check has been issued and uncashed. Treasury will return the funds to the agency that authorized the payment. If a check is presented for payment after being canceled due to limited payability, Treasury considers the check dated and will deny that payment. Once a Treasury check has been canceled due to limited payability, DOE will request Treasury to issue a replacement check to pay the outstanding obligation.[17]

II.B.6.i. I TFM, Part 4, Chapter 7000 prescribes procedures and forms used for automatically canceling checks drawn on the General Account of Treasury; processing undelivered and

[15] See Rev. Proc. 99-50, which is available on page 757 of Internal Revenue Bulletin 1999-52

[16] See IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s) on the IRS website.

[17] Refer to I TFM, Part 4, Chapter 7000, *Cancellations, Deposits, and Claims for Checks Drawn on the U.S. Treasury*, and 31 CFR sections 240 and 245.

returned checks; and processing claims because of non-receipt, loss, theft, destruction, or mutilation of checks.

II.B.6.ii. When Treasury returns the proceeds of a check that has been canceled due to limited payability to DOE, the OCFO Office of Finance and Accounting will process the credit to the appropriation or source of funds initially charged in accordance with I TFM, Part 4, Chapter 7050.

II.C. Payment of Invoices

II.C.1. Prompt Payment Act Requirements. Federal agencies will pay commercial obligations within certain time periods and pay interest penalties when payments are late.[18]

II.C.1.i. Prompt Payment Quality Control Program. Agencies will establish a quality control program.[19] The quality control program is an annual review to:

- Verify payments, thresholds, and documentation requirements are made in accordance with 5 CFR 1315.
- Provide a reliable way to estimate payment performance; and,
- Verify the integrity of prompt payment reporting.

The requirement for a prompt payment quality control program applies to DOE entities making payments, including the PST and PMAs. A sample checklist for a quality control program can be found in the supplemental material posted at the financial policy iPortal page.

II.C.1.ii. Accelerated Payments to Small Businesses. OMB Memorandum M-17-26 encourages federal agencies to accelerate payments to small businesses and prime contractors with small business subcontractors.

II.C.1.iii. Financial Assistance Payments. Financial assistance recipients may be paid by reimbursement when permitted by 2 CFR 200.305. While the payment of invoices for financial assistance agreements is not legally subject to the same prompt payment requirements as contract payments, Financial Assistance regulations require that

[18] 5 CFR 1315, *Prompt Payment*, as a Final Rule effective October 29, 1999
[19] 5 CFR 1315, *Prompt Payment*, as a Final Rule effective October 29, 1999

payments be made promptly. Specifically, that invoices will be paid as soon as practical to meet the requirements of 2 CFR 200.305(b), which states that "payments methods must minimize the time elapsing between the transfer of funds from Treasury or the pass-through entity and the payment by the non-Federal entity."

II.C.2. Payment and Proper Invoice Documentation. To verify that payments are properly authorized and correct, documents usually needed are a contract, an invoice, and a receiving report or equivalent.

Copies of contracts and receiving reports are not usually included with the invoice, the contracting officer or contracting officer representative is responsible for verifying that invoices are consistent with contract requirements and goods and services have been provided. See paragraph II.C.3.v. of this chapter.

5 CFR 1315.2(y) states, "Invoice means a bill, written document or electronic transmission, provided by a vendor requesting payment for property received or services rendered."

5 CFR 1315.9 and 48 CFR 32.9 lists the requirements for payment documentation to support payment of invoices and interest penalties. A proper invoice must meet the requirement of 5 CFR 1315.9(b). The term invoice can include receiving reports and delivery tickets when contractually designated as invoices.

II.C.3. Processing Invoices for Payment. DOE business practices conform to the standards and notices to vendors contained in 5 CFR 1315.4.

II.C.3.i. Maintaining Documentation. DOE will maintain paper or electronic documentation.[20] Copies of invoices including supporting documents provided with the invoice are maintained by the DOE payment offices electronically. The records are stored six years after final payment or cancellation, a longer retention is required for business use.[21] The contracting officer or delegated official is responsible for maintaining documentation for the proper review of invoices (see paragraph II.C.3.v. of this chapter).

II.C.3.ii. Receipt of invoice. Paper invoices will be stamped on the face of the invoice with the date it is received by the designated DOE entity and recorded as received. Paper invoices for DOE and NNSA will be provided to the PST.

[20] 5 CFR 1315.9

[21] National Archives and Records Administration's General Records Schedule 1.1

Invoices provided through the Vendor Invoicing Portal and Electronic Reporting System (VIPERS) will be logged through an interface with the accounting system and the date received will be the date provided by the vendor. The date represents constructive receipt by DOE and is the date that will be used in timing payments. As stated in 5 CFR 1315.4, 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 is deemed to be received:

- For invoices that are mailed, the date a proper invoice is actually received by the designated DOE entity if the DOE entity annotates the face of the invoice with date of receipt at the time of receipt. For invoices electronically transmitted, the date a readable transmission received by the designated DOE entity, or the next business day if received after normal working hours.
- On the date placed on the invoice by the contractor, when the DOE entity 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,
- On the date of delivery, when the contract specifies that the delivery ticket may serve as an invoice.

II.C.3.iii. Determination of a valid invoice

- Each invoice will be reviewed as early as practicable after receipt to determine if the invoice is a proper invoice;[22]
- When an invoice is determined to be improper, the invoice is returned to the vendor as early as practicable after receipt, no later than 7 days after receipt. (Refer also to 5 CFR 1315.4(g)(4) regarding vendor notification and determining the payment due date.) Local procedures will stipulate who is responsible for providing this notification. The DOE entity will identify defects that prevent payment and specify any reasons why the invoice is improper and

[22] 5 CFR 1315.9(b)

why it is being returned. This notification to the vendor will include a request for a corrected invoice, to be clearly marked as such; and,

- Any media which produce tangible recordings of information in lieu of written or original paper document equivalents can be used by DOE entities to expedite the payment process, as necessary. DOE entities are responsible for adequate safeguards and controls to verify the integrity of the data to prevent duplicate processing.

II.C.3.iv. Payment period. The period available to make timely payment of an invoice without incurring an interest penalty will begin on the date of receipt of a proper invoice,[23] except where no invoice is required (e.g., for recurring payments as defined in 5 CFR 1315.2(dd)).

II.C.3.v. Responsibility for invoice review. Consistent with Federal Acquisition Regulation (FAR), contracting officers are responsible for ensuring that contract invoices are properly reviewed and analyzed, and that the government makes payments to contractors only for goods and services received and accepted pursuant to contractual terms and conditions. The contracting officer may designate another DOE official to review and approve payment of an invoice on the contracting officer behalf, typically the contracting officer's representative. Detailed procedures for invoice review are specified in the DOE Acquisition Guide, Chapter 32.901, *Reviewing and Approving Invoices*.

II.C.3.vi. Timeliness of invoice review. DOE payment offices will establish timelines for invoice review as needed to meet Prompt Payment Act requirements.

II.C.4. Determining the payment due date.

II.C.4.i. The payment is due:

- On the date(s) specified in the contract.
- In accordance with discount terms when discounts are offered and taken;[24] or,

[23] 5 CFR 1315.4(b)
[24] 5 CFR 1315.7

- 30 days after the start of the payment period,[25] if omitted in the contract, if discounts are declined, and if accelerated payment methods are unused.

II.C.4.ii. Adjustments due to untimely notification of an improper invoice. The vendor will be notified of an improper invoice within seven days of the date DOE receives the invoice according to 5 CFR 1315.4(c)(2). If the vendor is notified after the seventh day, the number of days permitted 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 permitted for payment.

II.C.5. Accelerated Payment. DOE is encouraged to accelerate payments to small businesses and prime contractors with small business subcontractors whenever possible.[26]

Payments may be accelerated for a single invoice under $2,500, a small business (as defined in Federal Acquisition Regulation (FAR) 19.001), and emergency payments, as directed in 5 CFR 1315.5.

II.C.6. Payment Date. Payment will be considered to be made on the Treasury settlement date for an electronic funds transfer (EFT) payment or the date of the check for a regular Treasury check payment. Payments falling due on a weekend or federal holiday may be made on the following business day without incurring late payment interest penalties.

II.C.7. Payments for Partial Deliveries. DOE will pay for partial delivery of supplies or partial performance of services after acceptance, unless specifically prohibited by the contract. Payment is contingent upon a proper invoice if required by the contract.

II.C.8. Late Payment Interest Penalties. Penalties will be paid as directed in 5 CFR 1315.10. DOE uses the Treasury Bureau of the Fiscal Service on-line calculator for determining late payment penalties. The Prompt Payment Act specifies that DOE will pay any late payment interest penalties (including any additional penalties cited under 5 CFR 1315.11) from the funds available for the administration of the program for which the penalty was incurred.[27] DOE Payment offices will notify offices of an interest penalty paid.

II.C.9. Discounts. Payments will be made early to take advantage of early

[25] 5 CFR 1315.4(f)
[26] OMB Memorandum M-17-26, *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*
[27] Public Law 97-177, Prompt Payment Act

payment discounts whenever possible.[28] Early payment discounts should not be taken if the early payment date does not leave adequate time for invoice review, as determined by the invoice approving official. If a discount is taken in error, the discount amount will be paid along with any applicable interest.

The Treasury Bureau of the Fiscal Service website has an online calculator for determining if it is cost effective to take a discount when considering the government's current cost of money. The PST verifies the cost of money on an annual basis to determine if it is necessary to check the online calculator for specific payments.

II.C.10. Rebates. The commercial purchase card payment dates will be based on an analysis of the total costs and total benefits to the federal government. A rebate formula is provided in 5 CFR 1315.17 and at the Treasury Bureau of the Fiscal Service website.

II.D. Accountable Officers for Treasury Payment Systems

II.D.1. General Requirements. An accountable officer is a government official or employee who, on behalf of the United States, receives and maintains public funds, certifies vouchers, or maintains or draws checks on accounts of the United States, including accounts in depositary banks designated by the Secretary of the Treasury. A certifying officer is a government official whose job is or includes certifying vouchers (including voucher schedules or invoices used as vouchers) for payment. Refer to I TFM, Part 4A, Chapter 3000, for information on procedures for appointing certifying officers and 31 USC. 3528, as amended, for the legal responsibilities of a certifying officer.

Treasury requires that DOE designate certifying officers for payments made using Treasury systems, including the Treasury Automated Standard Application for Payments **(**ASAP), Treasury Secure Payment System (SPS), and International Treasury Services (ITS). DOE entities making payments using the ASAP system are required to have individuals who can certify the payments. DOE entities making payments using SPS and ITS are also required to have certifying officers for operating systems. DOE entities making payments using SPS will also have designated data entry operators, who cannot be the same individuals as the certifying officers.

II.D.2. Certifying Officer Responsibilities. DOE certifying officers must follow Treasury guidance in the TFM[29] and certifying officers must also complete Treasury training[30].

[28] 5 CFR 1315.7

[29] Volume I, Part 4A, Chapter 3000

[30] Certifying Officer training is provided online by the Bureau of the Fiscal Service:

II.D.3. Designation of Certifying Officers within DOE.

II.D.3.i. Authority to designate certifying officers. Consistent with I TFM, Part 4A, Chapter 3025, the DOE Secretary of Energy has delegated the authority to designate certifying officers to the DOE Chief Financial Officer.[31]
This authority is re-delegated to the OCFO Office of Finance and Accounting Director, who re-delegates the authority to senior managers who serve as delegating officials. Individuals with the authority to designate certifying officers can also designate data entry operators. Delegations of Authority are valid for a period of 2 years. The OCFO Office of Finance and Accounting maintains the listing of delegation officials and coordinates with individuals who have this authority with the Treasury.

II.D.3.ii. Designation of certifying officers and data entry operators. Delegating officials appoint DOE certifying officers and data entry operators using current Treasury forms. Each delegating official will:

- Designate certifying officers using Treasury FS Form 210CO, designation for certifying officer, or current form, and current procedures specified in I TFM, Part 4A, Chapter 3000.
- Designate data entry operators using Treasury FS Form 210DEO, or current Treasury Department Form and current procedures specified in I TFM, Part 4A, Chapter 3000; and,
- Monitor certifying officers and data entry operators within the organization to verify the authority granted is current and to respond to Treasury renewal requests as requested.

II.D.4. Advance Payment Decisions.

II.D.4.i. Accountable officers may apply for and obtain from the appropriate Department 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 may seek opinion from DOE's Office of the General Counsel (specifically the Office of the Assistant General Counsel for General Law) when access to program counsel is unavailable.

https://fiscal.treasury.gov/training/certifying-officer-training.html

[31] Department of Energy Delegation Order No. 00-013.00D To the Chief Financial Officer, Section 1.5

Employees of the NNSA may seek such an opinion from the General Counsel of NNSA.

II.D.4.ii. The Department will stop recovery of a payment from an official if the official obtained an opinion from the appropriate Department legal counsel that the payment could legally be made, or if the circumstances otherwise was unnecessary to bring suit against the official.

II.D.5. Personal Liability for Accountable Officers. Under the concept of pecuniary liability, accountable officers may be held liable for the financial cost of errors made; physical loss or deficiency of money; and deficiency in an account balance of an illegal, improper, or incorrect payment, and credit the account for the deficiency.

In accordance with the Department of Justice's Office of Legal Counsel 1991 opinion, Comptroller General's Authority to Relieve Disbursing and Certifying Officials from Liability (15 Op. O.L.C. 80), the DOE Secretary of Energy delegated the authority to the DOE Chief Financial Officer to grant relief from accountability for losses or deficiencies of disbursing officers, cashiers, or other accountable officers.[32]

Accountable officers may be granted relief if:

II.D.5.i. Payment was made in good faith and reasonable care by the official.

II.D.5.ii. Certification was based on official records.

II.D.5.iii. No law specifically prohibited the payment; and,

II.D.5.iv. Government received value for the payment.

II.E. Advance Payments through the Automated Standard Application for Payments (ASAP).

II.E.1. General. This Treasury application is an electronic payment and information system operated by the Federal Reserve Bank (FRB) of Richmond. ASAP is a system through which grantee organizations and DOE contracts approved for advance funding can draw funds from accounts pre-authorized by federal agencies.

II.E.2. Payments under Financial Assistance Instruments. ASAP is the default mechanism for making payments to DOE financial assistance recipients. ASAP payments for financial assistance minimize the time between the transfer of funds from Treasury and the payment by recipients, consistent with the requirements of 2 CFR 200.305.

[32] Department of Energy Delegation Order No. 00-013.00D To the Chief Financial Officer, Section 1.7

II.E.3. ASAP 1031. ASAP 1031 is an ASAP module used under a checks paid letter of credit (LOC) financing arrangement to pay the Department's site and facility management contractors and other major contractors. The use of ASAP 1031 is limited to federal programs operating in a checks paid environment, where a financial institution serves as the payment requestor drawing funds to cover checks paid by it on behalf of a federal agency.

II.E.4. Payment Procedures. The grantee or contractor financial institution will provide an electronic payment request through the ASAP system to the FRB of Richmond. FRB of Richmond processes the request and sends the payment to the recipient's bank account.

II.E.5. Departmental Element Responsibilities. The OCFO Office of Finance and Accounting or Designated Financial Officer, if applicable, will provide instructions regarding responsibilities for Departmental Elements that are serviced by the OCFO Office of Finance and Accounting or by the Designated Financial Officer. Principal responsibilities include:

II.E.5.i. Enrollment of recipients with the Treasury Bureau of the Fiscal Service,

II.E.5.ii. Set up of accounts for the recipients in the ASAP system,

II.E.5.iii. Input of authorizations,

II.E.5.iv. Certification of authorizations in Treasury's Secure Payment System, and

II.E.5.v. Reconciliation of accounting records to ASAP account(s).

II.F. Payments to Site and Facility Management Contractors.

Checks paid LOC funding through the Treasury ASAP system[33] is used to provide financing for site and facility management contractors and other major contractors when specified by the contract. Contractors authorized to use checks paid LOC funding will be in compliance with the FAR and Department of Energy Acquisition Regulation (DEAR) advance payment and contract financing requirements.[34] A special financial institution account agreement with DOE, the contractor, and the financial institution is mandatory by Treasury for a checks paid LOC account.[35] Sample forms for the solicitation of banking services and sample agreements are maintained by the DOE OCFO Office of Financial and Audit Management at the Financial Policy iPortal page.

II.F.1. Checks paid LOC Funding Accounts. Checks paid LOC accounts set up in ASAP 1031 require prior notice to the Treasury ASAP

[33] https://www.fiscal.treasury.gov/asap/

[34] 48 CFR sections 32.4, 932.4 and 970.32

[35] II TFM, Part 4, Chapter 5000, *Letter of Credit – Federal Reserve Bank System Operational Requirements*

1031 project office. Notification of a checks paid LOC account will be provided by the Designated Financial Officer, one month prior to the proposed implementation date. If the purpose of the account remains the same and DOE changes the financial institution or the contractor, a notification will still be provided. Designated Financial Officers will use the ASAP 1031 LOC enrollment process and provide any necessary enrollment forms to the appropriate Treasury Regional Finance Center.

II.F.2. Operations.

II.F.2.i. The amount of the daily cash drawdown must be sufficient to maintain the contractor's account balance at the servicing financial institution as close to zero, as administratively possible.

II.F.2.ii. Subsidiary demand accounts, such as payroll, will not be prefunded and will be included in the drawdown to cover checks paid LOC against the main checks paid LOC payments account.

II.F.2.iii. DEAR 970.5232-2 Payments and Advances, or FAR 52.232-12 Advance Payments, establishes the requirements for use of the contractor's checks paid LOC funding account.

II.F.2.iv. Contractors must provide information on anticipated drawdowns as needed to support the DOE reporting of advance deposit and disbursement reporting to the Treasury Department (see paragraph II.G. of this chapter).

II.F.2.v. Immediately upon determination that an expenditure of advanced funds is not permitted in accordance with the contractual arrangement, the contracting officer or Designated Financial Officer, as appropriate, will notify the recipient and require the return of such funds.[36] Funds will be returned within 30 days from the date of the notification by DOE.

II.F.2.vi. Contractors will provide a Summary of Cash Activity Report for the prior month's account activity to the OCFO Office of Finance and Accounting no later 12:00 p.m. local time on the first business day of the succeeding month. The monthly drawdown activity is reported to the OCFO Office of Finance and Accounting through the contractor interface file. Copies of ASAP 1031 reports will be retained and used for monthly reconciliation with Treasury.

[36] I TFM Part 4A Chapter 2045.10

Designated Financial Officers may establish more specific timelines and review procedures for the Summary of Cash Activity Report.

II.F.2.vii. Restoration of the financial institution's reserve account is accomplished on the same day by drawing on the DOE account at FRB of Richmond.

II.F.2.viii. The financial institution is compensated for services performed by providing an invoice for fees incurred.

II.F.2.ix. The financial institution posts collateral with the Federal Reserve Bank to perform services as a financial agent of the federal government and protect public money in cases of insolvency.[37] Additional information is available on the Treasury website.[38]

II.F.3. Monitoring. Designated Financial Officers will perform a quarterly review of the checks paid LOC account. The primary considerations in this process are to verify the financial institution is paid for the services performed, account balances are minimized, and account balances over the prescribed insurance limit are properly collateralized. At a minimum, the review will entail an analysis of the account statements to determine if:

II.F.3.i. Accounts are being operated correctly by the financial institution,

II.F.3.ii. Financial institution is being compensated in accordance with the checks paid LOC funding account agreement (or checks paid LOC financial arrangement),

II.F.3.iii. Financial institution is maintaining the level of collateral commensurate with the account balances, including overdrafts and excess drawdowns.

II.F.4. Overdrafts and Excess Drawdowns. Although drawdowns under a checks paid LOC account 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 to be followed are:

II.F.4.i. Overdrafts. On the first business day following an overdraft, the financial institution will draw down an amount equal to the net sum of the overdraft, offset by any receipts.

II.F.4.ii. Excess Balances. An excess account balance results when a financial institution makes a drawdown from the

[37] 31 CFR 202

[38] IRS Treasury Collateral Management & Monitoring, https://fiscal.treasury.gov/tcmm/

ASAP 1031 account for more funds than needed to cover the net of the receipts and payments for the day in the contractor's account. The financial institution must return any excess balances to FRB of Richmond the same day if possible. If the financial institution is unable to return the excess balances by that time on the day of the occurrence, the excess balances will be used to offset the next business day's drawdown, and any remaining excess will be returned to FRB of Richmond before 5:45 p.m.

II.F.4.iii. 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 excess balances at the Federal Funds Rate for the month(s), and the special financial institution account agreement will be terminated. The penalty amount will be credited to account 089X1435, General Fund, Proprietary Interest, Not Otherwise Classified, or to another account specifically authorized by Treasury.

II.F.5. Closeout. After outstanding payment items have been cleared or a stop payment order has been issued, the remaining authorized balance in the checks paid LOC funding account at FRB of Richmond must be reduced to zero and the account closed in the ASAP 1031 system.

II.F.6. Reporting and Reconciliation Requirements. In order to reconcile with DOE accounts, contractors are required to record expenditures based on the paid transactions listed in the ASAP 1031 report.

II.G. Treasury Cash Forecasting Requirements

DOE is required to provide advance deposit and disbursement information that exceed certain thresholds under I TFM Part 6, Chapter 8500, Cash Forecasting Requirements. This information is critical for the maintenance of accurate, up-to-date cashflow projections, and for the daily management of Treasury's operating cash balances. Failure to notify Treasury of significant disbursement activity can cause the Treasury's General Account (TGA) to lack sufficient funds to cover entity payments. Designated Financial Officers and Integrated Contractors must provide advance deposit and disbursement information to the OCFO Office of Finance and Accounting who will report to Treasury at the departmental level. The OCFO Office of Finance and Accounting will provide specific guidance, as needed, to implement the Treasury's current Cash Forecasting Requirements.

SUBJECT: LIMITED CHANGE FMH CHAPTER 6, *PAYMENTS AND CASH MANAGEMENT ACTIVITIES*

1. EXPLANATION OF CHANGES. These changes codify requirements.

2. LOCATIONS OF CHANGES: The chapter adopts the current Financial Management Handbook template.

Page	Section	Section Title	Summary
6-17	II.F.2.	Operations	Contractors must provide information on anticipated drawdowns as needed to support the DOE reporting of advance deposit and disbursement reporting to the Treasury Department (see paragraph II.G. of this chapter).
6-19	II.G.	Treasury Cash Forecasting Requirements	New section added (section II.G, paragraph II.F.2.iv.) to codify contractor and Federal requirements to support Treasury's cash forecasting processes.

CHAPTER 7

ADVANCES, PREPAID EXPENSES, AND OTHER ASSETS

1. INTRODUCTION

Purpose and Scope. The Chapter discusses the accounting treatment and financial controls for advances, prepaid expenses, and other assets. This chapter should not be used as a reference for determining whether it is appropriate to make an advance payment or prepay expenses, but it does provide references to the appropriate criteria for making that determination.

This chapter supplements the Treasury Financial Manual Volume 1, Part 4A-2000 (1 TFM 4A-2000), Federal Acquisition Regulation (FAR) 48 Code of Federal Regulations (CFR) Parts 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).

a. 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 (CO). Non-integrated contractors shall follow the applicable standards and procedures as specified in this handbook if provided in their contracts.

The provisions in this 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 the DEAR provision "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) Payments associated with financial assistance instruments - As provided in Chapter 14, "Grants, Cooperative Agreements, and Technology Investment Agreements."

b. Materiality. 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 or record them as expenses.

c. Recording Standard General Ledger (SGL) entries. The CFO Office of Finance and Accounting maintains the chart of SGL accounts for recording advances, prepayments and other assets as provided for in this chapter.

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: 2a. General; 2.b., Advances to Other Federal Agencies; 2.c., Advances to Contractors and Other Financial Recipient Organization; and 2.d., Advances to Employees. In all cases, advance payments made under sections 2.b and 2.c of this chapter must be authorized by the cognizant CO.

a. **General Provisions.** 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 U.S.C. 3324 do not apply to cash payments with grants, cooperative agreements, and Technology Investment Agreements provided in Chapter 14, "Grants, Cooperative Agreements, and Technology Investment Agreements."

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.

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 organization 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 organization.

Advances shall be reviewed not less than each calendar quarter in accordance with the provisions of section 2.c.(4) of this chapter. Cost or financial reports required by the terms and condition of the contract or agreement shall be used to determine whether the recipient organization is using the advance as stipulated. Chapter 14, "Grants, Cooperative Agreements, and Technology Investment Agreements," provides requirements for managing cash payments involving grants and cooperative agreements.

b. Advances to Other Federal Agencies. Advances can be made to other Federal agencies 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 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.

c. Advances to Contractors and Other Financial Recipient Organizations. This section prescribes procedures to be followed for cash advances involving DOE programs to contractors and other financial recipient organizations. FAR Part 32 prescribes policies and procedures for advances and other payment matters for CO's. For example FAR Part 32.202 (48 CFR 32.202-4(a)(3)) provides responsibilities for security needed before an advance is provided. Also, FAR Part 32.106 (48 CFR 32.106) provides 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 2.a so the funds are available to the recipient organization only immediately before 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, before any performance of work on the contract, advances must not exceed 15 percent of the contract price. Please see FAR Part 32.202 (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 in FAR Part 2.101 (48 CFR 2.101).).

(2) Advance Payment Methods. 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 CO, 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 the TFM Volume 1, Part 4A-2035. Such reimbursements will be processed expeditiously to minimize the time elapsing between disbursement by, and payment to, the recipient organization.

(b) If the recipient organization cannot meet the criteria for advance payments as provided for in Section 2.a, and the CO determines reimbursement is not feasible because the recipient organization lacks sufficient working capital, DOE may provide funds on a working capital advance basis. On this basis, the CO authorizes cash advances to the recipient organization to cover its estimated disbursement needs for an initial period of time, generally geared to the recipient organization's disbursement cycle. The period of time is to be decided by the CO but normally should not exceed the recipient organization's disbursement cycle. Thereafter, payments are made to the recipient organization for the amount of its actual cash disbursements. The Field CFO or equivalent in coordination with the CO shall manage and monitor working capital advances to ensure recipient organization compliance with cash management policies provided in Section 2.c.(4) of this chapter.

(4) Monitoring and Controlling Advances. Field CFOs or equivalents on behalf of the COs are responsible for reviewing the recipient organization's advances and implementing remedial measures in the event of excessive withdrawals of cash. COs 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. Field CFOs or equivalents must review a recipient organization's use of funds advanced on a periodic basis, but not less than quarterly.

CFOs or equivalents must review the reports for agreement with DOE accounts, reasonableness of cash balances on hand, and the timing of payments. Accrued liabilities of the recipient organization should not be considered a basis for maintaining Federal funds unless payment of those debts is imminent. Field CFOs or equivalents also should inquire into any other matters that might warrant action to change the advances by electronic funds transfer. Any uncosted balances that will not be used in the future must be returned promptly to DOE (within 30 days per the requirements TFM Volume 1, Part 4A 2045.10).

(b) Disallowable Advances. In accordance with the TFM Volume 1, Part 4A 2045.10, immediately upon determination that an expenditure of advance funds is disallowable in accordance with the contractual arrangement, Field CFOs or equivalents shall coordinate with the CO to notify the recipient organization and require the return of such funds promptly, and no more than 30 days from the date of the notification.

(c) Interest Earned on Federal Funds.

1. Any interest income earned by a recipient organization on advances from 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 089 1435, "General Fund Proprietary Interest Collections, Not Otherwise Classified." 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 (10 CFR 932.407), "Interest," recipient organizations are not subject to interest charges for unliquidated 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.

d **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) applies:

(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 is made in cash.

Further information on Treasury's Policy Directive concerning imprest funds can be found on the internet at the Treasury web site. (http://www.fms.treas.gov/imprest/regulations.html)

(2) Amount of Advances. In accordance with the TFM Volume 1, 4A-2045.10, 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. 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 for federal employees is discussed in DOE Order 533.1, "Collection from Current and Former Employees for Indebtedness to the United States."

Site/facility management contractors are accountable for ensuring that appropriate mechanisms exist to ensure repayment of advances provided to their employees, including repayment by offset against future pay.

3. PREPAID EXPENSES.

a. Prepayments. Prepayments are expenditures to cover certain periodic 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 of $25,000 or more are to be recorded as an asset and then 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 Asset" SGL deposit account (see chart of SGL accounts for recording advances, prepayments and other assets, maintained by the CFO Office of Finance and Accounting). 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 of the *Financial Management Handbook*, "Property, Plant, and Equipment." Containers will 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. Income from a collateral fund is accounted for as revenue or other financing sources.

CHAPTER 8

RECEIVABLES AND DEBT COLLECTION

1. **Purpose and Scope.** To prescribe the policies and general procedures for receivables management and accounting. The references in section 5 constitute the framework for the Departmental policy and procedural requirements prescribed in this chapter.

   This chapter addresses debts owed to the Department of Energy (DOE), including debts owed by other federal agencies for reimbursable work performed or other services performed. This chapter does not provide policy relevant to DOE inter-entity transactions, which are discussed in Chapter 12 of the Financial Management Handbook.

2. **Applicability.**

   a. ***Contractors.*** The applicability of this chapter to DOE site/facility contractor debt collection activities is detailed in Attachment 8-1 unless more detailed guidance is provided by the responsible Contracting Officer.

   b. ***Power Marketing Administrations (PMAs) and Federal Energy Regulatory Commission (FERC).*** The applicability of this chapter is specified in Chapter 1 of the Financial Management Handbook, "Accounting Overview." The PMAs are subject to financial policies and procedures of the Department unless those policies and procedures are superseded by the organic statutes of the PMAs or FERC; please see as an example 16 U.S.C. § 835j, 16 U.S.C. § 838i, and 31 U.S.C. § 9103. When there are conflicts between the provisions of this chapter and superseding statutes, the PMAs shall observe the policies and meet the reporting requirements required by their organic statutes and when applicable the FERC and other industry standards.

   c. ***Employee Debts.*** Employee receivables are addressed in *DOE Order 533.1*, *Collection from Current and Former Employees for Indebtedness to the United States*, or successor directive. While *DOE Order 533.1* provides the primary DOE policy on employee indebtedness, the general debt collection requirements and process spelled out in this chapter may provide additional information relevant to employee debts.

   d. ***Reimbursable work.*** This chapter provides DOE policy for the collection of debts related to reimbursable work, including debts from non-DOE Federal entities. The establishment of reimbursable work receivables is addressed in Chapter 13 of the Financial Management Handbook, *Reimbursable Work, Revenues, and Other Collections*. After a receivable is established for

reimbursable work as directed in Chapter 13, the receivable will be collected consistent with the requirements of this chapter.

3. **Responsibilities.** The following table summarizes key responsibilities relating to DOE debt collection:

Responsible Entity	Public Debt	Federal Receivables
DOE Debt Collection Servicing Offices: • CFO Office of Finance and Accounting • PMAs • FERC	The CFO Office of Finance and Accounting (OFA) provides public debt collection services for all DOE elements, with the exception of the Power Marketing Administrations (PMAs) and FERC. CFO OFA will notify the cognizant DFO of any debtor requests for installment payments, compromises, and suspension and will provide all support to aid the DFO's decision	Manage receivables for reimbursable work agreements performed by a DOE Federal office. The National Energy Technology Laboratory (NETL) manages its own Federal receivables.
Designated Financial Officers (DFOs)	Responsible for decisions regarding requests for installment payments, compromise, suspension, termination, and close-out for debts under $100,000 related to employee debts, contracts, or financial assistance awards, when the DFO supports the relevant DOE Federal office or contracting activity. These decisions have a budgetary impact and thus are made by the DFO with responsibility for the relevant program or office. Relevant requirements are specified in sections 4.d.(13), 4.d.(14), 4.d.(15), 4.d.(19) of this policy.	Oversee and support contractor efforts to collect Federal receivables relating to reimbursable work performed by DOE M&O or non-M&O, integrated contractors.
Contractors	Contractor public receivables are managed by the contractor.	Manage Federal receivables on behalf of DOE, when required by contract.

4. **Requirements**.

   a. **Accounting for the Receivable**

(1) Establishing Accounts Receivable. In accordance with the Statement of Federal Financial Accounting Standards (SFFAS) #1 – Accounting for Selected Assets and Liabilities, record accounts receivable when claims to cash or other assets against other entities or individuals can be established, either based on legal provisions, or goods or services provided. If the exact amount is unknown, a reasonable estimate shall be made.

(2) Timeliness. Receivables are to be recorded within 5 working days of the event which entitles DOE to be due funds. Normally, receivables are recorded timely, shortly 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 the receivable.

DOE program officials must immediately notify the DFO or designee of claims arising from DOE 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.

(c) Documenting the Receivable

*1.*To monitor the collection of accounts successfully, information pertaining to an account must be maintained and updated in each account file. It is critical that contact with debtors be documented since such contacts may be needed to support the legitimacy or legality of the debt. The original documents generated which indicate the debtor was aware of the debt obligation must be maintained since such documents may be needed in future actions involving litigation to enforce collection. Offices may use an automated system to maintain the account and create the account history and documentation as the account ages. All records shall be maintained and managed in accordance with DOE Order 243.1B, *Records Management Program, or successor policy.*

2. Required account file information includes:

a. The basis for the creation or establishment of the debt, including for administrative debt, assessment of a fine or penalty, a copy of the overpaid invoice, the supporting payment schedule, and/or other documentation which would substantiate and support the debt;

b. Payment history and schedules, including delinquencies, defaults, subsequent deferrals, rescheduling, or refinancing, if occurred;

c. Documentation of each contact between the servicing official and borrower/debtor including the invoice, consisting of the demand letters and notice of debtor rights; and

d. Reports provided to the agency for monitoring the account, such as financial statements.

(d) Recording the Receivable

1. **General Ledger and Subsidiary Records.** Record each receivable directly into the appropriate general ledger account. OFA maintains the general ledger accounts for the Department. Select the appropriate account code by determining the responsible DOE entity which must record the receivable, the type of debtor, or the type of receivable. To conform with Treasury reporting requirements in Treasury Financial Manual I TFM 2-4700, information on use of United States Standard General Ledger accounts is available on the Treasury web-site. Treasury also provides through its web-site guidance for recording receivables and collections.

2. **Treasury Account Symbol** (appropriation, fund or receipt account). Record the receivable in the Treasury account symbol which will be credited when collections are accomplished, unless otherwise provided by law or Departmental policy.

Receivables due from the public are to be recorded in a manner which provides the funds are unavailable until the collection has been received.

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. Except where statutory authority exists to do otherwise, record any late charges (late charge interest, administrative costs, and penalties) into the miscellaneous receipt accounts:

Interest.
Account 891435, General Fund Proprietary Interest, Not Otherwise Classified.

Administrative Costs and Penalties.
Account 891099, Fines, Penalties, and Forfeitures Not Otherwise Classified.

(e) Fees Incurred as a Result of Debt Collection. Fees such as those charged by Treasury in the Cross-Servicing Program, by the Department of Justice (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.

(f) Earned Unbilled Receivables. Earned unbilled receivables shall be recorded at the end of each monthly accounting period.

(g) Classifying Receivables. A receivable is to be classified as current if payment is due within 12 months and as long term (non-current) if payment is due over 12 months.

(h) Reversal of Erroneous, Invalid, and Unsubstantiated Accounts Receivables.

1. Accounts receivable do not include claims where legal liability cannot be established.

2. Abnormal or erroneous accounts receivable must be promptly researched and resolved. If at any time it is determined a debt was not owed and should not have been classified as an accounts receivable, the entries establishing the accounts receivable must be reversed.

3. If at any time a DOE billing office does not have or cannot produce the evidence necessary to establish an accounts receivable and has not been able to obtain the voluntary repayment of the debt, the entries in the STARS system or financial management system of the element used that established the accounts receivable will be reversed. Evidence necessary to establish accounts receivable includes, although not limited to, the basis for the creation or establishment of the debt, copy of the overpaid invoice, supporting payment schedule, and/or other documentation which would substantiate and support the debt.

b. PUBLIC DEBTS

(1) Taxpayer Identification Numbers (TIN)

The TIN is a nine-digit Employer Identifying Number (EIN) or Social Security Number (SSN) 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 persons or businesses doing business with DOE. DOE shall inform a person responsible for furnishing a TIN is required, and it may be used for collecting and

reporting on delinquent amounts arising out of such person's relationship with the Government.

A person is considered doing business with DOE if the person is:

(1) A lender or servicer in a Federal guaranteed or insured loan program administered by DOE;

(2) An applicant for, or recipient of, a Federal license, permit, right-of-way, grant, or benefit payment administered by DOE;

(3) A contractor of DOE;

(4) Assessed a fine, fee, royalty or penalty by DOE; or

(5) In a relationship with DOE which may give rise to a receivable due to DOE.

For example, a person or business requesting information under the Freedom of Information Act enters a relationship with DOE which may give rise to a receivable due to DOE by agreeing to reimburse DOE for costs incurred to collect and provide the information. Accordingly, the requestor is responsible for furnishing their TIN at the time the request is made.

Contracting officers are responsible for compliance with the Federal Acquisition Regulations (48 C.F.R. § 4.203), which require contractors to provide a valid TIN to the agency.

All entities with an active registration in the System for Award Management (SAM) meet the requirement to provide DOE with a TIN. SAM requires a TIN to be matched against Internal Revenue Service (IRS) records before activating a contractor's profile. Active SAM registration is required, with limited exceptions, for all contractors Federal Acquisition Regulation (F.A.R) 4.11 and financial assistance recipients (2 C.F.R. § 25.100) before being issued a federal award or contract.

Applicable provisions *DOE Order 206.1, "Department of Energy Privacy Program,"* or successor policy, apply to the collection of Social Security Numbers.

(2) Analysis of Costs of Collection Efforts

(a) OFA, PMAs and FERC are responsible for preparing a periodic comparison of costs incurred and amounts collected, as provided by the Federal Claims Collection Standards (FCCS) (31 C.F.R. § 901.10). This cost comparison

should be updated when there are changes to cost collection expenses that may substantively change the results of the existing analysis.

(b) This cost analysis is used to establish minimum debt amounts for which collection efforts are not required to be taken, compare the cost effectiveness of alternative collection techniques, assist in evaluating offers in compromise, and establish guidelines when costs of further collection efforts are likely to exceed recoveries. The portion of the costs incurred in the collection of delinquent debt is to be included in the cost analysis.

(c) Actual costs incurred or an average actual costs incurred will be used for processing and handling claims against debtors in similar stages of collection. Costs need to include the staffing and resource costs incurred to recover debts and the costs associated with using various collection tools to enforce recovery of debts, such as, the costs of obtaining a credit report, using private collection agencies, and fees charged by Treasury or DOJ.

(d) Collection efforts must be undertaken for fines and penalties, even when the amount due falls below the estimated cost of collection. The primary purpose of fines and penalties is not to provide remuneration to the Government, but to provide proper incentives and disincentives for compliance.

(3) Billing the Debtor

(a)Timeliness and Content of Bills. Receivables must be billed within five business days of the event which entitles DOE to be due funds, or five business days of the date at which the servicing DOE finance office is informed of the debt. Alternative timeframes may be established by the servicing DOE finance office if the cost-effectiveness of a longer period has been demonstrated, taking into consideration the minimum debt amounts for which collection efforts need not be taken. (See section (2) above).

The timeliness of billings made by the PMAs and FERC may differ in accordance with the contractual terms and conditions of agreements they enter into per their organic statutes.

The invoice, consisting of the demand letter and the notice of debtor rights, is dated according to the date on which it is mailed, hand-delivered, or otherwise transmitted to the debtor. Consistent with Treasury guidance and due process requirements, the invoice must inform the debtor of:

1. The amount and the basis of the debt;

2. The date on which payment is due to avoid late charges and enforced collection;

3. The debtor has the right to inspect and copy records related to the debt;

4. The debtor has the right to request an administrative review of the Department's determination of the debt;

5. The administrative review request must reach DOE by the payment due date;

6. The administrative review request must provide an explanation why the debt is incorrect and be supported by affidavits, canceled checks, or other available evidence (See section 4.c.(7)(d));

7. The debtor has the right to enter into a repayment agreement;

8. For notices to employees or former employees:

   a. The debtor's entitlement to request a waiver of indebtedness under the authority of 5 U.S.C. § 5583(a)-(b), as implemented by *DOE Order 533.1* (or successor policy).
   b. The right of the debtor to request a hearing prior to salary offset or administrative wage garnishment;

9. The Department's intent to assess interest, penalties, and administrative costs if the debt is not paid by the due date, and to add charges incurred in collection of the debt, such as fees charged by Treasury, private collection agencies, and DOJ to the amount of the debt;

10. 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 to include due process;

11. Other enforcement actions Treasury or DOE will take to collect the debt, such as:

    a. Garnishing the debtor's wages through administrative wage garnishment (no court order is necessary);
    b. Reporting the debtor's name, address, TIN number, and the amount and type of debt to a credit reporting agency;
    c. Referral of the debt to a private collection agency;
    d. Offsetting the debtor's federal payments, including income tax refunds, salary, certain benefit payments (such as Social Security), retirement, vendor, and travel reimbursements and advances; and
    e. Referral to DOJ for litigation;

12. Advise the debtor of the following:

    a. The debtor must notify DOE of any bankruptcy filings;
    b. Penalties will be assessed for knowingly making false or frivolous statements;
    c. Excess collections will be refunded to the debtor, unless prohibited by law;
    d. For federal salary offset, up to 15% of current net disposable pay may be deducted every pay period until the debt is paid;
    e. For joint income tax filers, an injured spouse may file Form 8379 with the IRS to claim his/her share of a tax refund if debts are offset by Treasury's Tax Refund Program.

13. If the TIN of the debtor is unknown, include the requirement that the debtor provide his or her TIN by completing IRS Form W-9, "Request for Taxpayer Identification Number and Certification." IRS forms can be located at https://www.irs.gov/Forms-&-Pubs;

14. The name, phone number, and address of an individual (or office) to contact within the Department; and

15. Payment instructions. Electronic payment methods are to be used when available.

(b) 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 noting that a final invoice will be prepared.

(c) Number of Invoices. Generally, one invoice is sufficient if the notice meets the requirements specified in this policy. The debtor must have a 60-day notice, as described in Treasury guidelines for "Managing Federal Receivables," before the debt is transferred to Treasury for collection action through the Treasury Cross-Servicing Program or reported to a credit reporting agency.

Day 1	Day 31	Day 61	Day 91
Initial invoice contains needed due process information	2nd invoice (optional)	Transfer to Treasury	
Initial invoice does **not** contain needed due process information	1st notice	2nd invoice (optional)	Transfer to Treasury

(e) Foreign Receivables. Invoices and financial agreement payment provisions with foreign entities are to be based on U.S. dollars (see Treasury Financial I TFM 5-6020).

(4) Debts Originating Under Acquisition Instruments. The DOE Contracting Officer follows the policies and procedures for identifying, collecting of contract debts as directed in the Federal Acquisition Regulations (48 C.F.R. § 32.6). The cognizant DFO will provide assistance to the contracting officer with the debt collection process. Billing and debt collection is performed by the Debt Collection Servicing Office.

(5) Debts Originating Under Financial Assistance Instruments

The DOE Contracting Officer will request that the servicing DOE Finance Office (the DFO supporting the contracting activity) issue a billing request, consistent with the requirements of 2 C.F.R. § 200.346, for collecting amounts due from financial assistance recipients.

If the debtor is an entity that does not have an active financial assistance award with the Department of Energy, debts shall be referred to the Department of Treasury for collection after the 90-day timeframe specified in 2 C.F.R. § 200.346.

c. DEBT COLLECTION – RECEIVABLES DUE FROM THE PUBLIC

(1) Managing Delinquencies

(1) DOE financial offices managing debt collection will establish and implement effective debt collection strategies for receivables and aggressively follow up on delinquent receivables, regardless if they originated in their office or were referred to it for collection by another office.

(2) 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 Order 533.1*, Collection from Current and Former Employees for Indebtedness to the United States.

(2) Debt Collection Strategy

(1) As provided by Treasury's guide for "Managing Federal Receivables," a debt collection strategy is an organized plan of action incorporating the various collection tools to be used by agencies to recover debt.

(2) The strategy must be designed to restore delinquent debts to current status or, if unsuccessful, maximize collection on DOE accounts. The strategy must be designed to resolve delinquencies as quickly as possible, since the ability of DOE to collect its delinquent debts will generally decrease as the debts become older.

(3) The strategy must include a monthly (or more often as appropriate) analysis of receivable aging reports. The analysis must include action plans to restore delinquent debts to current status.

(4) Consideration shall be given to collecting advance payments, when appropriate (e.g. customers routinely having delinquencies), to avoid having to initiate late collection actions.

(5) DOE will aggressively collect debts arising in accordance with the FCCS (31 C.F.R. § 900-904) and DOE's debt collection regulations (10 C.F.R. § 1015).

(6) DOE will cooperate with other DOE offices and federal agencies in its debt collection activities.

(7) DOE will transfer debts to Treasury for Cross-Servicing after due process requirements are complete, usually at 61 days delinquent, but no later than 120 days delinquent as required by the 31 U.S.C. § 3716(c)(6). Upon transfer of debts for Cross-Servicing, 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.

(3) Payment Due Date

The payment due date is the date by which payment is to be made to avoid late charges (i.e., interest, penalties, and administrative costs) and enforced collection. This shall be no more than 30 days from the date the invoice is mailed or hand delivered.

The Debt Collection Servicing Office may extend the 30-day period may be extended on a case-by-case basis after an evaluation of the circumstances. The Debt Collection Servicing Office will notify the cognizant DFOs prior to approval of payment extension requests for debts owed by contractors or financial assistance recipients.

Payment due dates for the PMAs and FERC may differ in accordance with the contractual terms and conditions of agreements they enter into per their specific statutory authorities.

(4) Date of Delinquency

(1) Administrative Debt. Administrative debts such as fines, fees, penalties, and overpayments become delinquent when payment is not made by the payment due date specified in the initial invoice. In accordance with Treasury's Guide for "Managing Federal Receivables," Chapter 6, the date of delinquency is the date DOE mailed or delivered the invoice. The Treasury Guide provides further example of how this requirement is applied.

(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.

(5) Ensuring Due Process Prior to Initiating Collection Efforts. DOE shall provide debtors with notice of, and the opportunity to dispute, a debt or intended debt collection action prior to initiating collection efforts. Treasury's Fiscal Service's "Managing Federal Receivables" provides the resulting information.

Debt Collection Tool	Required Notice by DOE to the Debtor	Opportunity to Dispute Debt to DOE
Treasury Offset Program (TOP) (centralized offset includes administrative, salary & tax refund offset) - performed as part of Cross-Servicing	60 days prior to sending the debt to TOP	Review and/or hearing, as appropriate
Tax refund offset - performed as part of Cross-Servicing	60 days prior to offset	Review with an agency official
Administrative wage garnishment – performed as part of Cross-Servicing	30 days prior to garnishment	Hearing with agency official or other qualified individual
Credit bureau reporting - performed as part of Cross-Servicing	60 days prior to report to consumer credit bureau	Review with an agency official

Debt Collection Tool	Required Notice by DOE to the Debtor	Opportunity to Dispute Debt to DOE
Non-centralized administrative offset	Case by case basis consistent with Section 4.c.(9)	Review with an agency official
Salary offset (non-centralized)	30 days prior to offset	Hearing with hearing official outside the control of the agency

(6) Assessing Late Charges.

(1) The FCCS (31 C.F.R. § 901.9), as codified by DOE in 10 C.F.R. § 1015.212, establishes three separate and distinct types of late charges:

1. Interest accrues from the date of delinquency, or as otherwise provided by law. 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.fiscal.treasury.gov/fsreports/rpt/cvfr/cvfr_home.htm . 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 another agreement, DOE may require payment of interest at a different rate which reflects the CVFR at the time the most recent agreement is executed. Interest shall not be compounded, meaning, interest shall not be charged on interest, penalties, and administrative costs as provided by this section. Although, if a debtor defaults on a previous repayment agreement, accrued charges which were not collected under the defaulted agreement shall be added to the principal under the most recent repayment agreement. Offices must adjust the interest rate on delinquent debt to conform to the rate established by a U.S. Court when a judgment has been obtained.

2. 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 provided by the FCCS. (See section 4.b(2)).

3. Penalty is set, by statute, at 6% per year. The penalty charge accrues from the date of delinquency and is assessed on debt which is outstanding for more than 90 days, including 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 contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal, as provided in the FCCS (31 C.F.R. § 901.9).

(4) Collection made by the payment due date as provided in section 4.c(3) shall not include interest and administrative costs as provided by the FCCS (31 C.F.R. § 901.9(g)).

(5) 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 this chapter for the compromise of debts, or under the debt waiver provisions implemented in *DOE Order 533.*1.

(6) 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.

If a debt waiver request is approved, related interest, penalties, and administrative costs are also waived.

(7) Referrals to Treasury for Cross-Servicing and to DOJ for litigation shall reflect late charges accrued through the date of the referral document regardless if they have been booked in the accounts.

(8) 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. Requests to invoke this common law authority must be referred to the Office of Financial and Audit Management, for appropriate coordination with the Office of General Counsel.

(7) Administrative Review of the Debt. DOE shall assure proper and impartial review of debts when requested by the debtors. DOE shall consider available evidence in response to a debtor's request for a review. The DFO for the DOE Debt Collection Servicing Office, or a designee, is responsible for any requested administrative reviews of the debt.

DOE Policy regarding hearings for employee debts is specified in DOE Order 533.1.

The debtor's right to a hearing or review of the claim, as directed in 31 C.F.R. § 901.3, provides:

(1) ***Review Official***. The DFO for the Debt Collection Servicing Office shall designate an official responsible for conducting reviews or hearings of the validity of debts. This official shall be at least one level above the official who makes routine decisions to establish debts.

(2) ***Oral hearings***. Debtors shall be provided with a reasonable opportunity for an oral hearing when the debtor requests reconsideration of the debt and the review official determines 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.

Unless otherwise provided by law, an oral hearing under this section is not needed to be a formal evidentiary hearing, although offices shall carefully document significant matters discussed at the hearing.

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 DFO, or a designee, has determined review of the written record is ordinarily an adequate means to correct prior mistakes.

(3) ***Paper hearings***. In those cases when this section does not require an oral hearing, offices shall accord the debtor a “paper hearing,” meaning a determination of the request for reconsideration based upon a review of the written record.

(4) ***Requests for review of the debt.*** If the claim is disputed in full or in part, the debtor must provide a written response to the invoice that includes a request for review of the claim within DOE. The request must explain why the debtor alleges that the debt is incorrect and shall provide any supporting evidence, including affidavits, canceled checks, or other relevant records.

The written request must reach DOE by the payment due date. A written response received after the payment due date may be accepted if the debtor can demonstrate 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 needs to be paid by the date stated in the initial invoice.

The billing request must clearly describe these requirements and provide a point of contact for questions.

(5) ***Decisions.*** The debtor shall be notified, within 30 days of receipt of the debtor's response whenever feasible, regarding the determination if the debt has been sustained, amended, or canceled. If such action is not feasible within 30 days, the debtor shall be notified, in writing, before the end of the 30-day period, the request for waiver or reconsideration is being processed and 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 shall be forwarded to the debtor no later than 60 days after receipt of the debtor's request. If the debt is sustained in whole or in part, the debtor shall be notified of DOE's intent to take other collection action(s). For debt that is sustained, debtors must be given a reasonable period of time (no less than 15 days) to provide the payment before additional collection actions are taken.

(6) ***Reconsideration of the reviewing official decisions.*** The reviewing official decision becomes final within 15 days of receipt unless the debtor requests reconsideration of the decision. Grounds for reconsideration will only include an assertion of error in law or evidence which could not have been discovered before the decision, or through the exercise of due diligence by the requesting party which was unavailable before the decision was rendered, through no fault of the requesting party.

(7) ***Debts Accruing Under Contract and Financial Assistance Instruments.*** When the debtor's written response to an invoice constitutes an appeal of or notice of court action on a claim which originated under an acquisition contract or financial assistance instrument, the Debt Collection Servicing Office will refer the matter to the cognizant contracting officer. Nether the Debt Collection Servicing Office or the DFO or designee will perform an administrative review of debts established by a DOE Contracting Officer.

The DFO or designee, in coordination with the Contracting Officer, shall make a determination whether to suspend collection action until the resolution of the appeal or court action. Any applicable late charges or shall continue to accrue during the formal appeal process or litigation. The debt collection servicing office will assist with this effort which involves communication with the debtor.

(8) Mandatory Transfer of Debt Collection to the Treasury Department. Eligible delinquent debts must be transferred to Treasury's Cross-Servicing program or the Treasury Offset Program (TOP) no later than 120 days delinquent. As provided in section 4.c.(8)(a)1. below, debts may be referred

earlier if due process requirements have been met. This policy reflects Departmental responsibilities specified in DOE's agreements with Treasury formalizing participation in the Cross-Servicing Program.

When a debt is referred to Treasury an allowance must be established. Section 4.c(16) of this policy discusses the establishment of allowances.

(1) Mandatory transfer of debts to Treasury for participation in the Cross-Servicing Program.

1. ***Basic Requirement.*** DOE will transfer debts to Treasury for collection action in the Cross-Servicing Program after due process requirements are complete, usually at 61 days delinquent, although no later than 120 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, Departmental collection efforts shall be discontinued. For accounting and reporting purposes, the debt remains on the books and records of the DOE office which transferred the debt. The Department of Treasury provides a Cross-Servicing agency profile guide at: https://fiscal.treasury.gov/fsservices/gov/debtColl/pdf/forms/agency_profile_form_guide.pdf

2. ***Debts Eligible for Referral to Treasury.*** As provided in Treasury's guide for "Managing Federal Receivables," a debt is eligible for referral to Treasury's Fiscal Service for Cross-Servicing if the debt is:
   a. Past due;
   b. Legally enforceable;
   A debt is considered legally enforceable for purposes of referral to Treasury's Fiscal Service if there has been a final agency determination the debt is due and there are no legal bars to one or more of the collection actions to be taken by Treasury's Fiscal Service.
   c. Owed by an individual or entity (including a state or local government) other than a federal agency; and
   d. $25 or more with a er TIN (including interest, penalties and administrative costs).

   A debt is excluded from referral to Cross-Servicing if the debt is:
   e. Not past due or legally enforceable;
   f. Owed by a debtor who has died;
   g. Owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;
   h. Owed by a federal agency;

i. The subject of an administrative appeal, until the appeal is concluded and the amount of the debt is fixed; or
j. Less than $25 (including interest, penalties and administrative costs).

As noted in the Treasury's guide ,"Managing Federal Receivables," the Debt Management Service (DMS) does not accept debts less than $100 without a TIN. These debts are unlikely to be collected and are only eligible for a Treasury letter. It is appropriate to terminate collection of these debts if reasonable attempts to collect have been made, because the cost to collect exceeds anticipated collections.

3. ***Verification of Due Process.*** Before referring the debt to Treasury, offices must verify that the debtor has been sent written notice of the type and amount of the debt and the intention of Treasury to use administrative offset and other tools to collect the debt at least 60-days prior to referring the debt for collection. Due process requirements are provided under section 4.b.(3).

   When DOE previously has given a debtor the needed 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.

4. ***Annual Certifications.*** Delinquent debt referrals to Treasury must be certified annually. The certification needs to state that the debt is valid, legally enforceable, there are no bars to collection, and due process has been provided in accordance with 31 U.S.C. § 3716(a) and DOE regulations. The certification is deemed to occur at the moment the debt is referred. The requirements to which DOE certifies at the time of referral are described in the annual certification agreement. DOE is responsible for entering into such an agreement each calendar year. The certification for DOE will be completed by the Director, OFA CFOor designee.

   a. A debt is legally enforceable if there has been a final DOE determination 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 as provided 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 Treasury and is not to be transferred even if the debt is more than 120 days past due.

   b. When a final DOE determination is made after an administrative appeal or review process, the DOE office must transfer such debt

to Treasury, if more than 120 days delinquent, within 30 days after the date of the final decision.

c. Nothing in this section is intended to affect the date of delinquency of a debt for other purposes such as for purposes of accruing interest and penalties.

5. ***Fees Assessed by Treasury.*** Treasury is authorized to charge a fee for its debt collection services. DOE will add the fee to the debt as a contingency fee.

6. ***Recalling Debts Referred to Treasury.*** If a collection is received after a receivable has been referred to Treasury, DOE must inform Treasury promptly to have the receivable recalled. Other reasons for recalling debt transferred to Treasury include: (1) the debtor has filed for bankruptcy and the automatic stay is in effect; (2) the debt is not enforceable; (3) the debt is not delinquent; (4) the debt is not valid or has been paid in full; (5) the debt was incorrectly certified or (6) it is otherwise determined that the debt or the certification of the debt is invalid.

(b) Exceptions to mandatory transfer of debts to Treasury for participation in the Cross-Servicing Program.

1. Offices are not responsible for transferring a debt to Treasury when the debt:

a. Is in litigation or foreclosure as described in *2*of this section;

b. Is being collected by internal offset as described in 3 of this section; or

c. Is covered by an exemption granted by the Secretary of the Treasury. There are currently no DOE debts covered by an exemption.

2. A debt is in litigation if:

a. The debt has been referred to the Attorney General (DOJ) for litigation by DOE; or

b. The debt is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy proceedings; initiated by the creditor agency, the debtor, or other party. Documentation to support these proceedings need to be maintained.

3. A debt can be collected in full by internal administrative offset within three (3) years from the date of delinquency. “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 the debtor.

(9) Collection of Debts through Internal Administrative Offset

(a) Generally, internal (non-centralized) administrative offsets are ad hoc case-by-case offsets DOE conducts, at DOE’s discretion, when centralized administrative offset is not available or appropriate. Examples include:

1. ***Recoupment of Contractor Payments***. Recoupment is a special type of administrative offset, where, within the terms of a given contractual relationship, the agency can offset amounts it is owed against payments due the contractor for services rendered. DOE cannot offset a contract payment if the contract is being disputed under the Contract Disputes Act (CDA), as implemented by the F.A.R. or the Bonneville Purchasing Instructions. Once the dispute is settled, then offset can be initiated against the balance of funds still owed the contractor. This does not preclude DOE from offsetting non-disputed contract payments to a contractor involved in a CDA adjudication.

2. ***Collection of Travel Advances and Training Expenses from Federal Employees***. DOE shall adhere to administrative offset notification requirements when collecting delinquent travel advances and training expenses -- not those associated with federal employee salary offset. Once these notification procedures have been followed, DOE has the authority to withhold the entire or part of an employee/debtor's salary, retirement benefits, or other amounts due the employee, including lump sum payments, to recover amounts owed. There are no statutory or regulatory limitations on the amount which can be withheld or offset, and DOE shall withhold or offset as much as necessary to fully liquidate or satisfy the amount of the debt.

3. ***Retirement Pay***. Generally, administrative offset against a debtor’s current civilian retirement pay [either Civil Service Retirement Fund (CSRS) or the Federal Employees Retirement System (FERS)] is conducted through the Treasury Offset Program. If DOE knows the debtor will be receiving a retirement payment which is not available for offset under the Treasury Offset Program, DOE must notify the Office of Personnel Management (OPM) of its intention to use its administrative offset authority to collect on the delinquent debt. OPM will respond by “flagging” the account and will initiate offset when the debtor requests retirement pay or the release of the retirement funds (if the debtor is departing federal service), regardless of the age of the

debt itself. If the request for offset is outstanding for more than one year at the time the debtor files for retirement or requests the funds, then OPM will contact DOE to determine if the debt is still outstanding and the offset still valid, allowing enough time for DOE to contact the debtor to try to resolve the debt. In the case of lump sum payments, OPM will offset up to 100% of the payment amount; if an annuity payment is involved and the debt is too large to collect in one offset, OPM will offset the dollar amount or percentage requested by DOE, up to 50% of the amount of the payment. DOE shall use SF 2805, "Request for Recovery of a Debt Due the United States," in making requests to OPM for these types of offsets (see CSRS and FERS Handbook, Chapter 4 - Debt Collection, available at www.opm.gov).

(10) Credit Reports

In unusual circumstances, 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.

(11) Contracting with Private Collection Contractors and With Entities to Locate and Recover Unclaimed Assets

DOE retains the authority to enter into contracts for debtor asset and income search reports. In accordance with 31 U.S.C. § 3718(d), such contracts may provide the fee a contractor charges DOE for such services and may be payable from the amounts recovered, unless otherwise prohibited by statute. Use of this authority shall be reserved for unusual circumstances, as these collection tools are generally unnecessary for debts referred to TOP for collection.

(12) Suspension or Revocation of Eligibility for Loans and Loan Guaranties, Licenses, Permits, or Privileges

Unless waived by the Secretary of Energy, or designee, DOE is not permitted to extend financial assistance in the form of a loan, loan guarantee, or loan insurance to a 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 is not currently delegated, although may be delegated under 31 C.F.R. § 285.13 to the CFO and re-delegated only to the Deputy CFO of DOE. (See 31 C.F.R. § 285.13, Barring Delinquent Debtors from Obtaining Federal Loans or Loan Insurance or Guarantees.)

(13) Installment Payments

(a) ***Authority to Accept Installment Payments.*** Whenever possible, an overdue debt shall be collected in a single lump sum. If the debtor claims financial inability to repay the debt in a single lump sum, the DFO may accept payment in regular installments. The DFO serves as the official designated to accept deferrals and installment payments for contract debts, consistent with the requirements of F.A.R. 32.607 (48 C.F.R. § 32.607).

The Debt Collection Servicing Office will typically receive any requests from the debtor for installment payments. These requests will be referred to the cognizant DFO. The DOE Debt Collection Servicing Office will assist the DFO in accepting or developing installment payment requests as provided by the requirements contained in this section. As appropriate, the DOE Debt Collection Servicing Offices shall obtain a current financial statement providing the debtor's assets, liabilities, income and expenses from debtors who represent they are unable to pay in one lump sum, and independently verify such representations whenever possible. The DOE Debt Collection Servicing Office may also obtain credit reports or other financial information to assess installment requests. Treasury's "Managing Federal Receivables," Appendix 9, "Financial Statement of Debtor" discusses processes used to obtain debtor financial information.

(b) ***Installment Plan Requirements.*** The size and frequency of installment payments shall bear a reasonable relation to the size of the debt and the debtor's ability to pay. If possible, the installment payments shall be sufficient in size and frequency to liquidate the debt in three years or less.

Upon agreeing to installment payments, the debtor and the DFO must execute a legally enforceable written agreement, signed by the DFO, or a designee, which specifies terms of the arrangement and contains a provision accelerating the debt in the event the debtor defaults. When DOE obtains a written agreement with the debtor, the finance office shall maintain documentation sufficient to demonstrate the debtor signed the note knowingly and voluntarily.

Security for deferred payments shall be obtained in appropriate cases for debts with a principal balance in excess of $50,000 of significant dollar amounts after consulting with General Counsel.

At the option of the DFO, installment payments may be accepted notwithstanding the refusal of a debtor to execute a written agreement or to give other security.

Installment agreements shall necessitate debtors to use a preauthorized debit to make installment payments, if available.

(c) ***Installment Plans for DOE Employees.*** For current employees, the amount deducted for any period may not exceed 15 percent of net disposable pay, except that a greater percentage may be deducted upon the written consent of the individual involved in accordance with 5 U.S.C. § 5514.

DOE employees having a repayment schedule established other than by a written agreement may request a hearing concerning the terms of the repayment schedule. Consistent with requirements of 5 U.S.C. § 5514(a)(2)(D), the hearing may not be conducted by an individual under the supervision or control of the head of the agency.

(14) Suspension of Collection Activity

The Secretary is authorized by 31 U.S.C. § 3711 to suspend collections for which the principal amount does not exceed $100,000, or such higher amount as the Attorney General may prescribe. This authority is exercised by the CFO consistent with the authorities granted to the CFO under section 902 of the CFO Act of 1990 (31 U.S.C. § 902(a)(2)).

This policy authorizes DFOs to suspend collections for which the principal amount does not exceed $100,000. Authority to suspend collection for debts with a principal amount of up to $10,000 may be further delegated by the DFO. The written re-delegation must indicate clearly the designee, preferably by title or position, and the dollar limits of the authority.

(a) Collection activity may be suspended when the debtor cannot be located.

(b) Collection may be suspended on a debt when the debtor's future prospects justify retention of the debt for periodic review and collection activity and:

i. The applicable statute of limitations has not expired; or

ii. Future collection can be realized by administrative offset, notwithstanding the expiration of the applicable statute of limitations for litigation of claims; or

iii. The debtor agrees to pay interest on the amount of the debt on which collection will be suspended, and such suspension is likely to enhance the debtor's ability to pay the full amount of the principal of the debt with interest at a later date.

(c) Collection of debts must be suspended when the debtor has requested a waiver or administrative review, pending resolution of the waiver request or administrative review.

Collection must not be suspended when the request for waiver or review is frivolous or was made primarily to delay collection.

(d) When a bankruptcy petition has been filed with respect to a debtor, in most cases the collection activity on a debt must be suspended, pursuant to the provisions of 11 U.S.C. §362, 1201, and 1301. See section 4.c.(17) of this policy for specific information on bankruptcy filings by debtors.

(15) Compromise

(a) Debts Serviced by DOE Finance Offices.

The Secretary is authorized by 31 U.S.C. § 3711 to compromise debts for which the principal amount does not exceed $100,000, or such higher amount as the Attorney General may prescribe. This authority is exercised by the CFO consistent with the authorities granted to the CFO under section 902 of the CFO Act of 1990 (31 U.S.C. § 902(a)(2)). Compromising a debt is to accept less than the full amount of the debt owed from the debtor in satisfaction of the debt.

This policy authorizes DFOs to compromise debts for which the principal amount does not exceed $100,000. Authority to compromise debts with a principal amount of up to $10,000 may be further delegated by the DFO. The written re-delegation must indicate clearly the designee, preferably by title or position, and the dollar limits of the authority.

(b) Debt being serviced in the Treasury Cross-Servicing Program

Per I TFM 4030.30, Treasury is authorized to take appropriate action to collect or compromise transferred debts. Treasury's authority to compromise debts is $500,000. Offices should notify Treasury, through their Agency Profile Form, of any exceptions (e.g. legislation or regulations) when debt should not be compromised.

(c) Documentation. Compromised amounts 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 officials participating or concurring in the compromise and write-off or termination decision. The approval and signatures shall be kept with the applicable receivable.

(16) Allowances for Public Receivables

(a) ***Basic Requirement.*** If a receivable will not be totally collected, the appropriate Allowance for Loss account shall be increased to reduce the gross amount of the receivable to its net realizable value. As stated in SFFAS No. 1, Accounting for Selected Assets and Liabilities, paragraph 44, losses on receivables shall be recognized when it is more likely than not the receivables will not be totally collected. The phrase more likely than not means more than a 50 percent chance of loss occurrence.

Generally, if a receivable is not paid within 90 days and there has been no contact with the debtor, it is more likely than not the receivable will not be totally collected and an allowance shall be established. Although, even if there has been contact with the debtor if the debt is more than 120 days an allowance shall be established.

When a debt is referred to Treasury in the Cross-Servicing program an allowance for loss shall be established.

(b) ***Recording the Allowance.*** The allowance shall be charged to expense and reported as a cost to the program giving rise to the receivable. The allowance shall be established in the same fund as the original receivable and the general ledger allowance account associated with the original receivable.

(c) ***Amount of the allowance.*** The estimated uncollectible amount shall be based on past experiences, and an analysis of the outstanding balances. The allowance for uncollectible amounts shall be re-estimated to support 3rd and 4th quarter financial statement reporting for fiscal year ending September 30th. and when information indicates the latest estimate is no longer correct.

When DOE is notified a debtor has filed for bankruptcy, establish an allowance for the entire amount of the debt.

(17) Bankruptcy Filings by Debtors

The debtor may provide notice to DOE directly that it has filed for bankruptcy. Additionally, DOE General Counsel routinely sends

bankruptcy notices to DOE procurement and financial management organizations. When these notices are sent, DOE finance organizations should check their records to determine if the bankrupt entity has any current business relationship with the Department.

When an office learns a bankruptcy petition has been filed with respect to a debtor, in most cases the collection activity on a debt must be suspended, pursuant to the provisions of 11 U.S.C. §§362, 1201, and 1301. Before suspending the debt, offices must consult with their legal counsel regarding the bankruptcy to confirm the automatic stay is in effect.

An allowance must also be established to reduce the gross amount of the receivable to its expected net realizable value if an allowance has not been previously recorded. No late charges will accrue from the date of the bankruptcy filing.

When a financial office learns that a current debtor has filed a bankruptcy petition, it should forward a copy of the bankruptcy notice to the appropriate DOE Legal Counsel for filing of a proof of claim. If the debt has been referred to DOJ, DOE Counsel will coordinate the proof of claim filing with DOJ attorneys.

If the bankruptcy filing notice was provided by General Counsel, the finance office servicing any debts to the bankrupt entity should follow up with General Counsel to obtain a copy of the bankruptcy petition or proof of claim for the debt collection records.

The servicing finance office should follow up at least annually with Counsel for a status report on the case.

(18) Write-off

"Write-off" is an accounting procedure separate and distinct from the legal procedures of "termination" and "suspension of collection."

(a) **Criteria for write-off.** As directed in the Office of Management and Budget (OMB) Circular A-129, Appendix A, write-off shall occur when an office determines 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. Once the debt is written-off, the debt must be either classified as currently not collectible (CNC) or closed-out

It is not necessary for write-off, termination of collection activity, and close-out to occur simultaneously, since legal and accounting procedures may involve different timetables. For example, a debt in litigation, and more than two years delinquent must be written-off.

Although, 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.

Receivables referred to DOJ may be written-off the accounts of the Department while DOJ is actively pursuing the claims.

(b) **Accounting Procedures.** Write-offs must be made through the allowance account. Under no circumstances are debts to be written-off directly to expense. Receivables which have been approved for write-off shall be recorded in the accounting records in accordance with entries prescribed by the DOE CFO Office of Finance & Accounting.

(c) **Use of Currently Not Collectible (CNC)**. Collection efforts shall continue after the debt is written-off if such efforts are deemed to be cost-effective. In such cases the written-off debt is not closed-out but classified as CNC and reported on the Treasury Report on Receivables 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 this point, collection action is terminated and the debt shall be closed-out.

(d) **Debts Referred to Treasury for Collection.** Treasury may recommend write-off and termination of collection action for debts which have been referred to the Cross-Servicing program and report the debts to IRS on the appropriate Form 1099 for DOE. Assuming there are no other regulations or statues that would provide otherwise, these debts must be promptly written-off debts and closed-out as recommended by Treasury.

(e) **Reinstatements and Collections**. Upon receipt of a collection against a written-off receivable, the account shall 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 not been written-off.

(19) Termination and Close-out

(a) Authority. The Secretary is authorized by 31 U.S.C. § 3711 to end collection action (terminate) debts for which the principal amount does not exceed $100,000, or such higher amount as the Attorney General may prescribe. This authority is exercised by the CFO consistent with

the authorities granted to the CFO under section 902 of the CFO Act of 1990 (31 U.S.C. § 902(a)(2)).

This policy authorizes DFOs to terminate and close-out debts for which the which the principal amount does not exceed $100,000. Authority to terminate collection for debts for which the principal amount of up to $10,000 may be further delegated. Delegations of this authority by the DFOs must be in writing. The written re-delegation 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 which the compromise, suspension, termination or write-off of progressively higher amounts be authorized by progressively higher officials.

(b) 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 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 applicable statute of limitations;

(5) The debt cannot be substantiated;

(6) The debt against the debtor has been discharged in bankruptcy; or

(7) The debtor has been liquidated through a bankruptcy proceeding.

(c) Close-out. Close-out, or discharging a delinquent debt, occurs when an office determines further 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 C.F.R. 903.3. When DOE discharges a debt in full, or in part, further collection action is discontinued. 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 which have been referred to Treasury in the Cross-Servicing program. Responsible offices must prepare Form 1099-C for debts which were not referred to Treasury as directed in Chapter 7 of Treasury's "Managing Federal Receivables."

DOJ has determined that debt to entities that have been liquidated through a chapter 7 bankruptcy shall be terminated and closed-out. The termination and close-out actions should be supported by documentation from the bankruptcy court that all of the bankrupt entity's assets have been liquidated. No additional documentation or approval is needed to close-out a debt owed by a liquidated entity.

(d) 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 officials participating or concurring in the write-off or termination decision. The approval and signatures shall be kept with the applicable receivable.

(20) Treasury Department Reporting Requirements

Pursuant to I TFM 3-7000, DOE is responsible for providing a Report on Receivables to the Department of the Treasury each quarter (the Treasury Report on Receivables or TROR). Each finance office shall send information on receivables to the OFA for consolidation in the DOE TROR prepared in accordance with instructions issued by the OFA.

Treasury Debt Management Services provides federal agencies, on a quarterly basis, an Agency Assessment Scorecard. This scorecard provides how federal agencies are complying with a number of debt collection performance measures. By following the debt collection procedures in this chapter, finance offices should be able to comply with the measures in this scorecard. Additionally, the Department will work with DOE finance offices and Treasury to ensure that these metrics are met and or corrective actions are taken to improve any deficiencies.

d. OTHER FEDERAL AGENCY RECEIVABLES

Phased Implementation Period. Additional time may be required to implement the requirements sections, sections 4.d(2) – 4.d(9), to Federal receivables outstanding at the time the policy goes into effect. The requirements of the policy must be fully implemented for existing Federal receivables by the third quarter of FY 2022.

(1) Financial Reporting Requirements

General rules for intra-governmental transactions are contained in I TFM 2-4700, Intragovernmental Requirements, and OMB Circular No. A-136, Financial Reporting Requirements. This includes requirements to reconcile intragovernmental balances and transactions throughout the fiscal year and reconcile at least quarterly the receivables from services or goods bought/sold.

(2) Debt Collection

Electronic payments between Federal Government agencies are performed through Treasury's Intra-Governmental Payment and Collection (IPAC) system as specified in the TFM.

Collections from other federal agencies will be made via cost reimbursement. However, as specified in Chapter 13 of the Financial Management Handbook, 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.

Servicing DOE finance offices and DOE contractors servicing receivables from federal agencies shall follow-up promptly with the other federal agencies to collect delinquent receivables. Finance officials must request the assistance of relevant DOE approving officials to collect receivables that are not paid in a timely manner.

DOE will not continue to perform work under a reimbursable agreement when the customer agency does not pay receivables related to the specific agreement in a timely manner (see specific provisions in sections 4.d.(3) and 4.d.(4) of this chapter). Aging receivables must be escalated promptly to prevent disruption to the work performed. DOE finance offices and contractors will inform the cognizant DOE Contracting Officer of the need to cease work for reimbursable agreements when the other Federal agency does not pay DOE in a timely manner, as specified in this policy.

DFOs for finance offices servicing receivables from other federal agencies shall ensure that the office maintains a debt collection strategy consistent with the requirements of this chapter and the Treasury Department guidance referenced in the chapter.

When DOE contractors collect Federal debts on behalf of the Department, the DFO will review the contactors' debt collection strategies and the contractors' receivable aging reports on at least a quarterly basis. The DFO will provide the contractors guidance and other recommendations for debts not collected.

The debt strategy must include actions to support compliance with the requirements of this policy and the relevant Treasury Department requirements cited in the chapter.

(3) DOE Debt Collection Requirements for Billing Requests Processed Through IPAC

(a) Initial Contact to Ordering Agency. If the IPAC billing request is rejected by the other federal agency, contact the customer agency no later than day 30 after IPAC rejection to resolve the matter. The initial contact should be made to the representative of the ordering agency as specified in the interagency agreement. This may be the contact listed on the IPAC document.
(1) Provide further documentation if requested by the ordering agency.
(2) Reprocess IPAC charge and record collection.
(3) If agreement to reprocess IPAC charge cannot be reached, proceed to notification of DOE approving officials.

(b) Notification to DOE Approving Officials. No later than day 60 after IPAC rejection, contact the DOE official who approved the interagency agreement, or current approving official, for assistance in the collection effort. Contractors collecting payments from other agencies on behalf of DOE will notify the DOE Contracting Officer and the cognizant DFO.

(c) Written notification of intent to cease work. If the ordering agency has not approved the IPAC transaction within 90 days of IPAC rejection, DOE must provide written notice to the ordering agency that work will be ceased if payment is not received before the debt is 120 days past date of the original IPAC rejection. DOE finance officials will coordinate written notice with the DOE official who approved the original interagency agreement, or current DOE approving official.

The written notification must provide the intention to request a dispute resolution with Treasury in accordance with I TFM 2-4706.

(d) Cessation of work due to non-payment. DOE will take actions to cease performance of a reimbursable work agreement with another federal agency no later than 120 days after the rejection of the billing request, when the billing request was processed through IPAC.

For billings processed by a DOE contractor, the contractor will advise the DOE Contracting Officer of the need to cease work at least 7 days in advance, to allow for appropriate contract actions.

For billings processed by a DOE Federal office, the servicing Federal office must provide notification to the DOE Contracting Officer of the need

to cease work at least 7 days in advance, to allow for appropriate contract actions.

(e) Dispute resolution. If outstanding debts cannot be resolved with the ordering federal agency, DOE will request a dispute resolution with Treasury as specified in section 4.d.(5) of this chapter.

(4) Debt Collection Requirements for Billing Requests not Processed through IPAC

When required by other federal agencies, DOE may process billing requests manually through SF-1080 forms. The debt collection requirements for the manual billing process provides additional time to resolve debts.

(a) Initial Contact to Ordering Agency. If the billing request is not paid within 90 days of submission to the ordering agency, contact the agency to resolve the matter. The initial contact should be made to the representative of the ordering agency as specified in the interagency agreement. As necessary, provide further documentation supporting the billing to the ordering agency.

If the matter cannot be resolved, proceed to notify DOE Approving Officials.

(b) Notification to DOE Approving Officials. If the billing request is not paid within 120 days of submission to the ordering agency, the DOE finance office shall contact the DOE official who approved the interagency agreement, or current DOE approving official, for assistance in the collection effort. The finance office will provide records of the efforts taken previously to collect the debt.

Contractors collecting payments from other agencies on behalf of DOE will notify the DOE Contracting Officer and the cognizant DFO. The contractor will provide the contracting officer and the DFO the records of actions taken previously to collect the debt.

(c) Written notification of intent to cease work. No later than 150 days after the initial billing request, DOE must provide written notice to the ordering agency that work will be ceased if payment has not been received within 180 days of the billing request. Further, the written notification must state that DOE will request dispute resolution through Treasury if required for collection of past due amounts. DOE finance officials will coordinate written notice with the DOE official who approved the original interagency agreement, or current DOE approving official.

(d) Cessation of work due to non-payment. For manual billing requests, DOE will take actions to cease performance of a reimbursable work agreement with another federal agency if the DOE billing requests are not paid within 180 days of submission to the ordering agency.

For billings processed by a DOE contractor, the contractor will advise the cognizant DOE Contracting Officer of the need to cease work at least 7 days in advance, to allow for appropriate contract actions.

For billings processed by a DOE federal office, the DFO or designee will notify the DOE Contracting Officer of the need to cease work at least 7 days before the debt is 180 days delinquent, to allow for appropriate contract actions.

(5) Dispute resolution. Treasury's intragovernmental dispute resolution process shall be invoked when valid, documented receivables cannot be resolved with another Federal agency. The dispute resolution process is outlined in 1 TFM 2-4700.

Cancellation of time-limited funds obligated by another agency to pay reimbursable work expenses is not a valid rationale for non-payment by the ordering agency. (See, e.g., Comptroller General Decision B-260993.) Dispute resolution procedures should be invoked regardless of the period of availability of the funding originally provided by the ordering agency for the reimbursable work agreement.

(a) Treasury requires agencies to send a dispute resolution when offices are unable to reconcile differences or improvement has not been provided for through a root cause analysis and a corrective action plan with another federal agency (See I TFM 2-4700).

(b) Prior to invoking Treasury Dispute Resolution, offices shall consult with the Bureau of the Fiscal Service to confirm Treasury will accept the dispute resolution request. An email address for the Dispute Resolution Process is IBR.dispute.resolution@fiscal.treasury.gov.

(c) The DOE office or contractor managing the Federal receivables should prepare the Intergovernmental Dispute Resolution Request Form. Contractors should submit the form to Treasury through the cognizant Designated Financial Officer. Designated Financial Offices should inform the OFA prior to submitting dispute resolution requests.

(d) If the Designated Financial Officer determines there is a valid debt owed the Department and other means of collecting the debt have been exhausted, the Designated Financial Officer will approve the Dispute

Resolution Request Form on behalf of the CFO and forward the request for resolution to Treasury.

In cases where the Designated Financial Officer determines the Department does not have sufficient support to send the Dispute Resolution Request to Treasury, the receivable shall be cancelled as described in paragraph 8 of this section.

(6) Allowance Accounts for Federal Receivables

(a) The Federal Accounting Standards Advisory Board (FASAB) issued Technical Bulletin (TB) 2020-1. The Technical Bulletin clarifies that the recognition of losses of receivables, provided in paragraphs 40-52 of SFFAS 1, apply to both intragovernmental receivables and receivables from nonfederal entities.

(b) Considering the debt collection requirements provided in this chapter to reconcile and resolve intragovernmental balances with federal agency sponsors, the need to establish an allowance for intra-governmental receivables should be minimized.

(c) Each office should establish an allowance following the same criteria for public receivables as provided in 4.c.(16) if the billing to the other federal agency was made through IPAC.

Billings not processed through IPAC take longer to process, and an allowance account for such billing should be established no later than 180 days after transmittal of the original billing request.

Similar to public receivables, an allowance shall be established based on the criteria above. Recording an allowance (regardless of materiality) provides specific information on the extent of issues involving collections within the Federal Government.

(d) Similar to public receivables, the allowance should be charged to expense and reported as a cost to the program giving rise to the receivable in the same fund as the original receivable and the general ledger allowance account associated with the original receivable.

(7) Write-off

Valid Federal receivables delinquent over two years must be written-off similar to the requirements in OMB Circular A-129. OMB Circular A-129 requires write-offs to be processed through an allowance account. The Circular provides under no circumstances that debts are to be written off

directly to expense. Write-off is an accounting transaction; collection activities should continue until the debt is collected or cancelled (see section 4.d.(8).

(8) Cancellation

Cancellation of receivables from other federal agencies is appropriate as noted in this section. Uncollectible receivables remaining for undocumented, unsubstantiated accounts will require cancellation. All reasonable debt collection efforts, including the requirements specified in this chapter, must be exhausted before proceeding to cancellation.

The following are valid reasons to cancel a receivable from another federal agency:

1. *Insufficient documentation or support for the receivable*. DOE will record a cancellation when the debt is not supported by documentation.

   Prior to taking action to recommend debt cancellation, the DFO or designee will review available documentation supporting the debt. If the DFO or designee is satisfied the documentation does not support the debt, the debt will be cancelled and the respective Federal entity notified.

2. *Receivables which cannot be sent to Treasury for dispute resolution*. When the Director of OFA, or designee, determines DOE has insufficient support to send a request to Treasury for dispute resolution, or the Treasury Department will not accept the dispute resolution request, the receivable shall be cancelled.

3. *Unsuccessful referrals to Treasury for dispute resolution*. When the dispute resolution process has been unsuccessful in collecting documented receivables from other agencies, or Treasury will not accept the dispute for resolution, these receivables shall be cancelled.

(9) Funding for Cancellations and Write-offs

Prior to a cancellation, or write-off, the DFO must address costs incurred against the receivable.

The DFO must work with the HQ budget office to approve the reclassification of costs to DOE funding source that is most consistent with the programmatic purpose and time availability of the funds when the costs were incurred. Per direction from DOE General Counsel, programmatic purpose means funding within same particular DOE program and similar activity the costs were incurred. Most program funds are no-year, and thus costs related to uncollectable receivables can be

reclassified to any available no-year program funds consistent with the programmatic purpose of the work performed.

Costs related to uncollectable receivables involving program direction expenses (such as travel and salary) shall in most cases be funded from current year program direction funds from the same program, unless program direction funds from the original fiscal year used to incur the original costs are available.

Specific questions regarding the appropriate DOE funds to be used for costs to write-off or cancel uncollectable receivables from other federal agencies should be referred to the DOE Office of General Counsel, Associate General Counsel for Finance and Information Law, or the NNSA Office of General Counsel, as appropriate.

(10) Refunds Owed to Federal Agencies

Refunds owed to a federal agency shall be returned to the agency and credited to the same Treasury Account Fund Symbol which financed the reimbursable work. This applies to both current and expired accounts.

The refund shall be deposited to Miscellaneous Receipts if the sponsor's Treasury's Account Fund Symbol is closed and the account is cancelled or if the other agency does not accept the refund.

5. REFERENCES

a. Federal Claims Collection Act of 1966 (Public Law 89-508), as amended by the Debt Collection Act of 1982 (Public Law 97-365, 96 Stat. 1754);

b. Debt Collection Improvement Act of 1996 (Public Law 104-134, chapter 10, section 31001);

c. Digital Accountability and Transparency Act of 2014

d. Government-wide Debt Collection Statutes;

- 5 U.S.C. § 552a - Records maintained on individuals (Privacy Act)
- 5 U.S.C. § 5514 - Installment deduction for indebtedness to the United States (Federal salary offset)
- 26 U.S.C. § 6050P - Returns relating to the cancellation of indebtedness by certain entities
- 26 U.S.C. § 6103 - Confidentiality and disclosure of returns and return information
- 26 U.S.C. § 6109 – Identifying Numbers
- 26 U.S.C. § 6331 - Levy and distraint (tax levy)

- 26 U.S.C. § 6402 - Authority to make credits or refunds (tax refund offset)
- 31 U.S.C. § 3325 – Vouchers
- 31 U.S.C. § 3701 - Definitions
  31 U.S.C. § 3711 - Collection and compromise
- 31 U.S.C. § 3716 - Administrative offset
- 31 U.S.C. § 3717 - Interest and penalty on claims
- 31 U.S.C. § 3718 - Contracts for collection services
  31 U.S.C. § 3719 - Reports on debt collection activities
- 31 U.S.C. § 3720A - Reduction of tax refund by amount of debt
- 31 U.S.C. § 3720B - Barring delinquent federal debtors from obtaining federal loans or loan insurance guarantees
- 31 U.S.C. § 3720C - Debt Collection Improvement Account
- 31 U.S.C. § 3720D – Garnishment
- 31 U.S.C. § 3720E - Dissemination of information regarding identity of delinquent debtors
- 31 U.S.C. § 7701 - Taxpayer Identifying Number

e. General regulations contained in the Federal Claims Collection Standards (31 § C.F.R. § 900-904);

f. Debt Collection Authorities Under the Debt Collection Improvement Act of 1996 (31 C.F.R. § 285);

g. DOE's overall debt collection regulations (10 C.F.R. § 1015);

h. Relevant provisions contained in the General Accountability Office Accounting Principles, Standards, and Requirements;

i. Federal Accounting Standards Advisory Board SFFAS Number 1, Accounting for Selected Assets and Liabilities;

j. OMB Circular A-129, Managing Federal Credit Programs;

k. Supplemental guidance set forth in the Department of the Treasury (Treasury), "Managing Federal Receivables" https://fiscal.treasury.gov/fsservices/gov/debtColl/pdf/mfr/ManagingFederalReceivables_Mar2015.pdf" ; and

l. Treasury Financial Manual (I TFM 2-4100, 4-4000, I TFM 6-8025, I TFM 5-6020, I TFM 2-4700,

m. OMB Circular No. A-136, Financial Reporting Requirements

n. 48 C.F.R. § Federal Acquisition Regulations

o. Comptroller General decision B-260993 (June 26, 1996) “Economy Act Payments After Obligated Account is Closed”

p. General Counsel Opinion on Applicability of the Debt Collection Improvement Act of 1996 to M&O Contractors (September 12, 2012)

ATTACHMENT 8-1

CONTRACTOR REQUIREMENTS

1. Contactor applicability of the requirements specified in this chapter is detailed in the table below:

Chapter Section	Contractor Applicability
Section 4.a—Account Servicing	Provides Federal accounting requirements applicable to integrated contractors.
Section 4.b—Public Debts	This section implements requirements of the Federal Claims Collection Standards and is not directly applicable to contractors. Contractors may choose to implement applicable best practices discussed in the section.
Section 4.c—Debt Collection—Receivables due from the Public	This section implements requirements of the Federal Claims Collection Standards that are not directly applicable to contractor. Contractors should maintain effective practices to collect debts to minimize bad debt expenses, which are expressly unallowable as Federal contract costs. Contractors are encouraged to implement applicable best practices discussed in this section and other applicable best practices for debt collection.
Section 4.d—Debt Collection—Other Federal Agencies	The requirements of this section apply to contractors collecting debts from other federal agencies on behalf of DOE. Also see section 4.d of Appendix 8-1.

2. Public Debts owed to Integrated Contractors.

a. While debts owed to integrated contractors are included in the DOE accounting records, debts owed to DOE contractors may not be transferred to the Treasury Cross-Servicing program for collection. This is consistent with a DOE General Counsel opinion.

b. Contractors are responsible for managing their own debt collection efforts to minimize the accrual of bad debts. FAR 31.205-3 (48 CFR 31.205-3) provides "Bad debts, including actual or estimated losses arising from uncollectible accounts receivable due from customers and other claims, and any directly associated costs such as collection costs, and legal costs are unallowable." Allowability of DOE contract costs are determined by the cognizant Federal Contracting Officer consistent with FAR requirements.

   As a matter of DOE Policy, contractors must establish due dates for debts that are no later than 30 days from the date the bill is mailed or delivered. This supports timely identification of delinquent debts and the subsequent identification of bad debt expenses that are unallowable contract costs.

d. Reimbursable work for non-Federal entities. Consistent with the requirements specified in Chapter 13.1 of the Financial Management Handbook, non-Federal reimbursable work customers are normally required to reimburse DOE's costs in advance, so debts owed by non-Federal reimbursable work customers should be unusual. Any such debts that do accrue, however, would be considered debts owed to the Federal government, and should be resolved in a manner consistent with the requirements of sections 4.b and 4.c of this chapter.

   When the contractor chooses to provide DOE with corporate funds in lieu of the customer providing advanced funding, these funds must also be provided to DOE in advance to sufficiently cover the anticipated work as provided in chapter 13.1. Accordingly, an accrual of debts when these funding methods are utilized should be unusual.

e. Uncollectible Accounts – Integrated Contractor Public Debt Receivables

   (1) Contractor Bad Debt Expenses. Bad debt expenses are expressly unallowable contract costs. Bad debts result from both debts not fully collectable (see section 2.e.(2) of this attachment) and uncollectable debts (see section 2.e.(3) of this attachment).

   Unallowable costs must be accounted for in a manner consistent with the contactor's approved accounting system and Contracting Officer direction. Unallowable costs must be excluded from the contractor's incurred cost submissions to the Government. Cost accounting for unallowable bad debt expenses must be consistent with the requirements of Cost Accounting Standards (CAS) 405--Accounting for Unallowable Costs.

   (2) Debts not fully collectable. If a contractor determines a receivable will not be fully collected, the contractor must estimate the amount that will not be collected. Consistent with Federal accounting requirements for establishing

an allowance for bad debts, the following circumstances demonstrate that a debt will not be fully collected:

(a) A receivable is not paid within 90 days and there has been no contact with the debtor,
(b) A debtor has filed for bankruptcy,
(c) The debt is more than 120 days delinquent, unless contact with the debtor indicates that collection is likely.

In all cases, an estimate of the amount that will not be collected must be established for debts more than 180 days delinquent.

(3) Uncollectable debts. Consistent with Federal accounting requirements for writing off uncollectable receivables, the entire debt amount is considered to be uncollectable when the contractor determines that the likelihood of collection is less than 50%. All debts are deemed unlikely to be collected if they are more than two years delinquent.

(4) Accounting requirements. Amounts determined to be uncollectable, consistent with the requirements of 2.e.(2) and 2.e.(3) of this attachment, shall be immediately reclassified as a receivable due from the contractor parent (currently account 1310D700- Accounts Receivable Direct- Contractor Parent), when consistent with Contracting Officer instruction. Receivables reclassified as being due from the contractor parent are considered current, and the contractor shall not record an allowance or a write-off in DOE's accounting records.

When amounts determined to be uncollectable, consistent with the requirements of 2.e.(2) and 2.e.(3) of this attachment, are not immediately determined to be unallowable contract costs, the contractor shall record an allowance or a write off in DOE's accounting records as specified below:

(a) Debts not fully collectable. Record an allowance consistent with the estimate of the amount that will not be fully collected.
(b) Uncollectable debts. Write off the entire debt amount. Consistent with Federal accounting requirements, an allowance must be recorded before a debt can be written-off. However, if appropriate to the circumstances of a specific debt, write-off may occur immediately after the establishment of an allowance.

(5) The contractor retains any collections of debts that have previously determined to be unallowable bad debt expenses.

3. Other Federal Agency Receivables. Contractors managing receivables from other federal agencies on behalf of DOE shall follow the provisions of this chapter in

section 4d., *Debt collection—other federal agencies*. The following requirements also apply:

a. Provide support and records as needed for actions submitted to the Department of Treasury for dispute resolution, as requested by the CFO OFA.

b. For debts that can't be substantiated, or for those that the Department of Treasury debt resolution has determined are not payable, coordinate with the cognizant DFO to cancel the debt. For costs determined allowable by the contracting office, use funding specified by the DFO per the requirements in 4.d(9).

Attachment 8-2
Procedures for Terminating and Closing Out Loans to Bankrupt Entities

Background

Certain borrowers/debtors may have defaulted on their payments and have filed for bankruptcy protection. These procedures provide guidance on actions needed to properly suspend, terminate, and close-out these loans/debts.

The DOE guidance complements guidance provided by the Department of Treasury's guide for "Managing Federal Receivables" and Treasury's Federal Claims Collection Standards.

Suspension of Collection Activity

When a bankruptcy petition has been filed with respect to a debtor, in most cases the collection activity on a debt must be suspended, pursuant to the provisions of 11 U.S.C. §362, which prohibits creditors from commencing or continuing to collect on a debt. See section 4.c.(17) of this policy for specific information on bankruptcy filings by debtors.

Termination and Close-out

After legal bankruptcy proceedings have concluded, the servicing DOE office must seek advice from legal counsel to determine whether:

- The bankruptcy court discharged the debt.
- The debtor was liquidated under a chapter 7 bankruptcy.

If a debt has been discharged by a bankruptcy court through a chapter 11 proceeding, or the debtor has been liquidated through a chapter 7 proceeding, there is no prospect of further collection and the loan shall be terminated and closed-out. The servicing DOE office must coordinate with DOE General Counsel to obtain the relevant court records to provide a documented basis for cancellation and close-out of the debt. As necessary, DOE General Counsel will work with the Department of Justice to obtain the required records.

Termination and close-out actions should be pursued concurrently. Documentation of the court discharge of the debt, or the liquidation of the debtor entity, must be retained by the servicing DOE office and provided to the CFO OFA.

The Director Portfolio Management of the Loan Programs Office or the cognizant DFO shall inform the Director of the CFO OFA of the need to terminate and close-out the debt. The correspondence must provide the following:

a. The current amount of the debt, including supporting records documenting the debt amount;
b. Copies of the court records discharging the debt or liquidating the debtor.

The CFO Office of Finance and Accounting will review the request to verify that court records provided clearly demonstrate discharge of the debt or liquidation of the debtor. The CFO may rely on information and/or documents provided by DOJ regarding this point.

Close-out and termination may proceed when CFO validates that the appropriate court records have been provided to support the termination and close-out action. As necessary, CFO may request that DOE General Counsel verify that the documents provided by the servicing DOE office provide sufficient documentation of the discharge of the debt or liquidation of the debtor by a cognizant court. The court records provide the valid basis for close-out and termination of the loan; no formal CFO approval is required. As appropriate, the CFO may rely on information and/or documents provided to DOE General Counsel by DOJ.

The CFO OFA will generate a 1099-C to the borrower if required. Treasury Department, IRS requirements for 1099-C reporting can be found under 26 C.F.R. 1.6050P-l. The Department of Treasury also provides requirements for filling 1099-C in its guide for “Managing Federal Receivables.”

The 1099-C needs to be provided to the borrower by January 31st following the calendar year the debt was officially closed-out. Provision of the 1099-C to liquidated entities will be in accordance with Treasury requirements.

Once a debt close-out is reported via the 1099-C, DOE can take no further collection action, but DOE may accept voluntary repayments of the debt at any time, without any obligation to notify IRS of a change in the debt.

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 10.1
Accounting for Property, Plant and Equipment

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I. INTRODUCTION

I.A. Purpose

This chapter describes accounting requirements for the acquisition, use, and retirement of property, plant, and equipment (PP&E) consistent with Generally Accepted Accounting Principles (GAAP) including the applicable Statements of Federal Financial Accounting Standards (SFFAS) issued by the Federal Accounting Standards Advisory Board (FASAB).

I.B. Applicability

The applicability of this chapter is specified in Department of Energy (DOE) Financial Management Handbook (FMH) Chapter 1, *Financial Management Handbook Overview*. When in conflict with the provisions of this chapter, Power Marketing Administrations (PMAs) should observe the policies of the Federal Energy Regulatory Commission and other applicable industry standards as they apply to the accounting and financial management of PP&E.

The policy on accounting for leased assets is contained in DOE FMH Chapter 10.2 *Lease Accounting.*

I.C. Chapter Organization

The table below shows the relationship of each section of the chapter to real or personal property.

Section	Applicable to Real Property	Applicable to Personal Property
I: Introduction	Yes	Yes
II: General Requirements	Yes	Yes
III: Construction Work in Process (CWIP)	Yes	Yes
IV: Accounting Requirements Specific to Real Property	Yes	No
V: Personal Property Accounting Requirements	No	Yes
VI: Internal Use Software	No	Yes
VII: Depreciation and Depletion	Yes	Yes
VIII: Property Transfers	Yes	Yes
IX: Responsibilities	Yes	Yes
X: References	Yes	Yes
XI: Acronyms	Yes	Yes

Section	Applicable to Real Property	Applicable to Personal Property
Attachment 10.1-1: Standard Useful Lives	Yes	Yes

I.D. Policy

DOE governs its financial accounting policy for PP&E around the following basic principles:

I.D.1. 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.

I.D.2. Depreciation should be calculated and recorded in the appropriate cost-of-operation account, using the appropriate fund type.

I.D.3. Timely and accurate financial reporting on facility construction and equipment fabrication must be provided.

I.D.4. Financial control over property should be maintained.

I.D.5. The primary basis of accounting for property is its acquisition cost.

I.D.6. Timely capitalize assets meeting the capitalization criteria and when physically placed in service.

I.D.7. Depreciate the assets over the appropriate useful life.

II. GENERAL REQUIREMENTS

II.A. Capitalization

DOE will capitalize PP&E that are purchased or constructed/fabricated, including betterments to existing PP&E, if they have an anticipated useful life of two years or more and if the acquisition cost or fair value exceeds the capitalization threshold specified in section II.C of this chapter. PP&E that meets the capitalization criteria will be capitalized when the asset is placed in service.

II.B. Accounting for Capitalized Property vs. Management of Accountable Property

Notwithstanding requirements to account for PP&E that meets the capitalization criteria of this policy, the Office of Asset Management establishes separate requirements to maintain records of personal property for accountability purposes. See 41 CFR 109-1.50, *Personal Property Management* and DOE Guide 580.1-1A Change 1*, Personal Property*, for accountability and property record data elements

requirements. For real property, see DOE Order 430.1C Change 2, *Real Property Asset Management*.

II.C. Capitalization Threshold

II.C.1. DOE's capitalization thresholds for PP&E and internal use software are listed in the table below. Contact the CFO Office of Finance and Accounting if more specific information is needed on past capitalization thresholds.

In-Service Date	Materiality Threshold ($)
PP&E Placed in Service before October 1, 2005	$25,000
PP&E Placed in Service on or after October 1, 2005, and before October 1, 2011	$50,000[i]
PP&E Placed in Service on or after October 1, 2011	$500,000
Internal Use Software	$750,000
Right-to-Use Assets on or after October 1, 2023	See DOE FMH Chapter 10.2, *Lease Accounting*

II.C.2. The capitalization threshold for internal use software is $750,000. Accounting for internal use software is discussed in section V.I. of this policy.

II.D. When to Record PP&E

PP&E shall be recorded at the date that title passes to DOE or when the PP&E is delivered to DOE.

II.E. Property Record Unit Concept

II.E.1. Purpose

Property record units are designed to establish divisions or subsections of completed PP&E. Property record units facilitate the recording of changes to asset categories and the reconciliation of physical inventories with financial accounts.

II.E.2. Definition

A property record unit, sometimes called a PP&E record unit, is a property, 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 way costs are assembled and recorded in the property records. A property record unit may be composed of one or more property record units or subcomponents. A property record unit may correspond to a single asset or a group of assets having a related purpose/utility.

A subcomponent of the property record unit is also required to be disclosed. This subcomponent was formerly known as a "retirement unit". A subcomponent is the smallest component of a property record unit that is capitalized in a separate account and has a separate service life. Subcomponents are capitalized when placed in use or service.

In selecting the property record unit, consideration should be given to its use, relationship with other associated items, relative importance, frequency of anticipated property changes, and monetary value. A property record unit may be a functional unit consisting of an assembly of associated assets, 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 which includes roads, walks, and paved areas; or a unit that is complete in itself, such as a spectrometer.

II.E.3. Property Record Unit Catalog

II.E.3.i. Purpose

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 property record unit applicable to each asset provides a basis for distinguishing between capital (PP&E) and expense charges.

II.E.3.ii. Composition

A property record unit catalog should have the following principal features:

- An explanation of the property record units: what they consist of, and the descriptions used and type of asset.
- The way the units are to be recorded in the property records, whether as individual items or as a group of similar items.

- A list of the assets applicable to each property record unit; and
- The current PP&E capitalization criteria.

II.E.3.iii. Responsibilities

Each Designated Financial Officer (DFO) or integrated contractor develops and maintains its own property record unit catalog covering all activities reporting to that element. A property record unit catalog describes the real property (including related personal property[ii]) and personal property record units that DOE owns. It provides a basis for a common understanding as to the way PP&E costs are assembled and recorded in the field and contractor PP&E records.

DFOs should review and approve property record unit additions and deletions by contractors as appropriate.

II.F. Capitalization of Bulk Purchases/Grouped Assets

Assets acquired through a bulk/aggregate acquisition should be capitalized as indicated in the chart below to ensure period costs are not distorted or asset values understated by expensing the purchase of numerous items.

Transaction Type		Capitalization of Assets	Grouping of Assets Allowed?
Bulk Acquisition	similar items, separate purpose / utility	Capitalize if the acquisition cost exceeds capitalization threshold	No
Bulk Acquisition	similar items, related purpose / utility	Capitalize if the acquisition cost exceeds capitalization threshold	Yes
Aggregate Acquisition	dissimilar items, related purpose / utility	Capitalize if the acquisition cost exceeds capitalization threshold	Yes

Aggregate Acquisition	dissimilar items, unrelated purpose / utility	Evaluate on an asset-by-asset basis	No

SFFAS 6 anticipates that agencies will provide agency-level guidance regarding bulk purchases.[iii] DOE's guidance is tailored to ensure period costs are not distorted or asset values understated by expensing the purchase of numerous items.

Examples of bulk and aggregate acquisitions include fleets of vehicles, groups of servers, and the initial complement of equipment (for example, office equipment) for a building, when the cost of the equipment is not already capitalized as part of the building's construction cost.

Assets acquired through bulk or aggregate purchases may be grouped into one or more property record units in accordance with the guidance in section II.E. of this policy.

II.G. Reconciliation of Accounting Records with Physical Inventories

Policy requirements for conducting physical inventories are specified in 41 CFR 109-1.5110, *Physical Inventories of Personal Property*, and DOE Order 430.1C Change 2, *Real Property Asset Management*.

The financial accounting records must be updated to reflect the removal of capitalized property when a physical inventory identifies the removal of capitalized items.

II.H. Purchased Assets

The capitalized cost includes the acquisition cost and all costs to bring the asset to a form and location suitable for its intended use, for example, invoice price and any added transportation and installation costs[iv] (see additional detail in SFFAS 6, *Accounting for Property, Plant, and Equipment,* Paragraph 26).

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.[v]

Indirect costs allocated to the acquisition of the item by a DOE site/facility[vi] management contractor are only capitalized for assets produced or constructed (see section II.J. of this chapter).

II.I. Ownership Transfers through Financed Asset Purchases

II.I.1. Identifying Ownership Transfer Contracts or Agreements

Ownership transfers result from a contract or agreement that (a) transfers ownership of the underlying asset to DOE by the end of

the contract and (b) does not contain options to terminate the agreement or only contains availability of funds clauses that are not likely to be executed. For this purpose, options to purchase the underlying asset prior to the transfer of ownership are not considered options to terminate (See SFFAS 54, *Leases*, paragraph 25).

Determining whether a contract or agreement represents an ownership transfer or a right to use lease typically requires a review of the terms and conditions of the specific contract or agreement.

The table below provides guidance for assessing whether a contract results in an ownership transfer or a right to use (RTU) lease.

Contract Description	**Ownership Transfer**	**RTU Lease**
Provides right to use asset Does not provide transfer of ownership. A purchase option does not solely indicate a transfer of ownership.	No	Yes
Provides for the transfer of ownership Contains options to terminate the agreement	No	Yes
Transfers ownership Does NOT contain options to terminate, or only availability of funds cancellation provisions that are unlikely to be exercised (SFFAS 61 paragraph 5)	Yes	No
Transfers ownership at the end of the contract term Contains options to transfer ownership prior to the end of the contract term (SFFAS 61 paragraph 5)	Yes	No

See SFFAS 61, *Omnibus Amendments 2023: Leases-Related Topics II*, paragraph 5 for general guidance and FASAB Technical

Release 20, *Implementation Guidance for Leases*, paragraphs 37-40 for specific example scenarios.

II.I.2. Accounting for Ownership Transfer Contracts or Agreements

The underlying asset is recorded as PP&E when the asset is placed in service and depreciated according to the useful life of the asset. The cost of general PP&E acquired through a contract or agreement that transfers ownership shall be equal to the amount that would otherwise be recognized as a leased asset at the commencement of the lease term (paragraph 26A or SFFAS 6). See section II.C.2 of chapter 10.2 of the DOE Financial Management Handbook for guidance on calculating the asset cost.

See section II.C.1 of chapter 10.2 of the DOE Financial Management Handbook for guidance on calculating the initial liability for an ownership transfer.

II.J. Assets Constructed or Fabricated by Federal Entities

When a DOE federal entity constructs an asset for its own use, the acquisition cost of the constructed asset includes both direct and all allocated indirect costs of the entity that constructed the asset.

II.K. Assets Constructed or Fabricated by Contractors

Assets constructed or fabricated by contractors should be capitalized according to the total contract costs incurred by the contractor constructing or fabricating the asset, including both direct costs incurred and allocated indirect costs.

II.L. Property Acquired by Foreclosure

Property acquired by foreclosure 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 a current period loss or gain.

II.M. Property Acquired by Other Means

The cost of general PP&E acquired through donation, device, or judicial process excluding forfeiture should be recorded at the estimated fair value at the time acquired by the government plus any costs incurred to place the property in use. (SFFAS 6, paragraph 30)

II.N. Government-Owned, Contractor-Held Property

II.N.1. Overview

Integrated contractors provide accounting and financial reporting information to DOE on a monthly basis as part of the normal

integrated contractor monthly reporting process (DOE Financial Management Handbook, Chapter 4, section II.D.3).

Nonintegrated contractors must provide information to DOE on government-owned assets that allow DOE to maintain the necessary financial accounting records (see DOE Financial Management Handbook, Chapter 4, section III.E.).

II.N.2. Integrated Contractors

II.N.2.i. Financial Controls

An integrated contract is a contract containing the clause at 48 CFR 970.5232-8, *Integrated Accounting*. The financial control between DOE and the integrated contractor is accomplished by integrating the contractor's accounts with those of DOE.

II.N.2.ii. Property Records

Property records used for financial accounting of Integrated contractors should include the following data:

- Account and supplementary data code number (such as asset type, use status, and site).
- Property record unit title and description, including inventory or property control number (U.S. Government identification tag number).
- Location data sufficient to facilitate physical inventories and provide other necessary administrative controls.
- Reference to accounting journal entry, project number, and other project information.
- Date of the accounting entry and date placed in service, if substantially different from the date of accounting entry.
- Additions, quantity, and dollar amount (acquisition cost, net of discounts).
- Retirements, quantity, and dollar amount; and
- Useful life.

Separate personal property accountability requirements are specified in 41 CFR 109-1.5108.

II.N.2.iii. Reconciliation Requirements

The integrated contractor should reconcile any differences between its property records and the

summary financial control records maintained by DOE.

II.N.3. Nonintegrated Contractors

II.N.3.i. Financial Controls

Non-integrated site/facility management contractors must establish and maintain detailed financial records on property acquisition, disposition, and fabrication as required by the contract. At a minimum, property records of non-integrated contractors should include:

- Contract number
- Asset type
- Description of item (name and serial number)
- Tag number (Government ownership identity)
- Acquisition document reference and date
- Manufacturer's name and model number
- Location (physical area)
- Unit acquisition cost (including delivery and installation)
- Use status
- Site code

II.N.3.ii. PP&E Reporting Requirements

The cognizant DFO should establish appropriate reporting procedures so that contractors itemize accountable property purchases, categorized by DOE funding type, and record this information accordingly.

In addition, the contractor should prepare a semiannual report, 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 within 45 days after the end of the reporting period, or final date of the contract if applicable. The report should be sent to the property administrator, the Contracting Officer, and the servicing financial organization. More specific requirements may apply according to the terms of the contract or per instructions provided by the Contracting Officer or DFO.

II.N.3.iii. 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 DFO. Reconciliation means comparing 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 DFO should approve all accounting adjustments to the financial control accounts.

II.O. Property Acquired Under DOE Financial Assistance Awards

II.O.1. General Requirements

Property that is owned by DOE must be included in the DOE financial accounting records when the property otherwise meets the capitalization criteria specified in this chapter. As specified in the DOE Financial Management Handbook, Chapter 14, section II.E, the DFO is responsible for proper accounting of government-owned property held by DOE financial assistance recipients.

As specified in section 4.5.4. of the DOE Guide to Financial Assistance, federally owned property shall be managed in accordance with 2 CFR Part 200.312 and a list of federally owned property accountable under an award must be provided as an attachment to the award. Title to federally owned property remains vested in the federal government.

The non-federal entity must submit an annual inventory of property in its custody to the DOE. Upon completion or when the property is no longer needed, the non-federal entity must report the property to the DOE. Property acquired under the terms of a DOE financial assistance award may vest with the DOE when specified by the financial assistance agreement or may be transferred to DOE upon completion of the financial assistance award.

II.O.2. Real Property Interests

When DOE retains an interest in real property acquired through a financial assistance agreement, the real property interest must be included in DOE financial accounting records when it otherwise meets the capitalization criteria specified in this chapter.

Recipients must provide reporting on real property consistent with provisions of 2 CFR 200.330, as specified section 4.5.3 of the DOE Guide to Financial Assistance. Annually, and at the completion of the agreement, recipients must provide DOE reports on the status of real property in which the federal government retains an interest. Reporting may be less frequent than annual when permitted by 2 CFR 200.330.

II.P. Property Acquired through Energy Savings Performance Contracts (ESPCs) and Similar Arrangements

ESPCs allow federal agencies to complete energy-savings projects without up-front appropriations to cover the capital cost of the energy-savings investment. The ESPC authority allows DOE to utilize third-party financing for covered energy-savings projects.

The ESPC is a partnership between a federal agency and an energy service company (ESCO). The ESCO conducts a comprehensive energy audit of federal facilities and identifies improvements to save energy. In consultation with the federal agency, the ESCO designs and constructs a project that meets the agency's needs and arranges the necessary funding. The ESCO guarantees that the improvements will generate energy cost savings to pay for the project over the term of the contract (up to 25 years). After the contract ends, all additional cost savings accrue to the agency.

Property acquired through ESPC contracts shall be recorded as DOE PP&E if they otherwise meet the capitalization criteria in this policy. The acquisition cost of the asset should be determined in accordance with the requirements for determining the cost of an asset acquired under SFFAS 6, *Accounting for Property, Plant, and Equipment*, also see Section II.C (Materiality) and Section II.H. (Purchased Assets) of this policy.

The ESPC liability is the amount owed to the ESCO. In accordance with the specific statutory authority authorizing ESPCs, the liability for ESPCs is an unfunded liability.

If the property acquired through an ESPC contract meets the Right to Use lease criteria guidance of SFFAS 54, then the ESPC should follow lease accounting requirements under FMH Chapter 10.2 *Lease Accounting.*

Property acquired through Utility Energy Service Contracts (UESC) or other similar contracts will be treated in the same manner as property acquired through ESPCs. Utility Energy Service Contracts are entered into with the utility service provider instead of a separate ESCO.

II.Q. Assets Acquired or Constructed with Funding from Non-DOE Entities

These assets are capitalized if DOE takes title and possession of the asset according to the terms of the reimbursable work agreement or other governing document.

II.R. Property Belonging to Others

Property belonging to others includes property borrowed or in DOE's possession through purchase with funds provided by others to perform their work in accordance with a reimbursable 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 41 CFR 109 and the terms and conditions of the agreement (see FAR 52.245-1, *Government Property* and DOE Order 481.1E Change 2, *Strategic Partnership Projects*). 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 others.

II.S. Items That Are Generally Not Capitalized

II.S.1. PP&E Supporting DOE's Legacy Waste Mission

II.S.1.i. General Treatment

PP&E acquired to support DOE's legacy waste mission, including activities of the DOE Office of Environmental Management (EM) and the DOE Office of Legacy Management (LM), shall be accounted for in a manner consistent with Chapter 4 of SFFAS 6, *Cleanup Costs*. Accounting requirements relating to legacy waste PP&E do not impact applicable budgetary rules.

Costs incurred to acquire or construct/fabricate PP&E supporting the DOE legacy waste mission are reflected as a reduction of the Department's environmental liability account.

II.S.1.ii. Determining which Property is Expensed as PP&E Supporting the Legacy Waste Mission

All EM and LM activities are considered legacy waste activities, including funding for infrastructure where EM and LM have landlord responsibilities, when the primary purpose is to address legacy environmental waste. The primary purpose is determined by assessing whether the asset is more than 50 percent utilized to support the DOE legacy waste mission. If the greater than 50 percent

criterion is not met for legacy waste, the asset should be capitalized and depreciated.

If the property is acquired or constructed/fabricated by EM or LM but its primary purpose is to support a current or future operation not related to DOE's legacy waste mission (e.g., construction of a waste management facility for storing non-EM newly generated waste), then the PP&E should be capitalized.

II.S.1.iii. PP&E Acquired to Support the DOE Legacy Waste Mission but Utilized for Other Purposes

In unusual circumstances, PP&E acquired or constructed/fabricated for the DOE legacy waste mission may be transferred to support other DOE mission activities. When this occurs, the property should be added as PP&E to DOE's accounting records according to the current fair value.

II.S.2. Inherently Experimental Items

Items that are inherently experimental, used as special tools, and, by nature of their association with a particular scientific experiment, not expected to have an extended useful life or an alternative future use, are not capitalized.

II.S.3. Interest

Generally, interest paid during the acquisition of PP&E is not capitalized.

An exception to the general rule applies when the acquisition or construction/fabrication of PP&E is funded through direct borrowing from the Department of the Treasury (Treasury), and interest is paid directly to Treasury. Typically, this scenario is limited to the borrowing authority of the Power Marketing Administrations.

When direct Treasury borrowing authority is used for the acquisition or construction/fabrication of PP&E, interest is capitalized based on the interest rate charged by Treasury for the funds borrowed. The interest capitalization begins when expenditures for PP&E have been made and activities that are necessary to get PP&E ready for its intended use are in process and ends when the asset is substantially complete and ready for its intended use.

II.S.4. Maintenance and Repair

Maintenance and repairs activities are not capitalized. As defined by SFFAS 42[vii], *Deferred Maintenance and Repairs*: *Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32,* maintenance and repair are directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset.

Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from (or significantly greater than) its current use.

II.S.5. Alterations

Alterations are adjustments to the physical characteristics of an existing property record unit so that it may be more effectively adapted to or utilized for its designated purpose.

The following are examples of alterations:

- 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.
- Construction of a door or passage through an interior structural wall; and
- Installation of new lighting fixtures that do not significantly increase the lumens emitted but may result in energy or maintenance savings.

An alteration does not result in betterment to the property record unit and thus is not capitalized. Work to accommodate a change in use is a betterment (see Section II.T. of this policy for a detailed discussion of betterments).

II.S.6. Demonstration Projects

Expense demonstration projects that have limited useful lives and that will not be used for actual production or operations. A special circumstance may apply if the resulting facility is originally intended for demonstration purposes but is later deemed to be successful and is used for operations. In such circumstances the facility should be capitalized when the decision is made to use the facility for operations.

II.S.7. Prototype Equipment

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 production unit

if several similar units are to be acquired. Expense testing and reworking of prototype equipment for which design has been established.

If prototype units become usable for production and are placed in service, the units are no longer considered to be prototype units and thus should be capitalized consistent with the capitalization criteria in this chapter.

II.T. Accounting for Betterments

II.T.1. General Provisions

Betterments are improvements to PP&E that result in better quality, higher capacity, or greater energy efficiency; extend the useful life of a facility; accommodate a change in the use of the facility; or accommodate regulatory and other requirement changes.

Determining when and to what extent a facilities project should be treated as a betterment requires judgment. When a minor item is replaced in each of a number of similar units, use of the cost basis is the proper basis for determining whether a betterment should be recorded. Although a particular project may meet some of the characteristics of a betterment, if the capitalization criteria are not met or the improvement added is insignificant, then the project should be expensed.

In some cases, betterments may be funded through alternative finance mechanisms such as ESPC. Betterments that meet the criteria for capitalization shall be capitalized regardless of the funding source.

II.T.2. Placed In Service Date

Betterments should be recorded according to the placed-in-service date of the betterment, as determined by the DOE project management official responsible for the betterment.

II.T.3. Depreciation

Betterments should be depreciated according to the remaining useful life of the underlying asset if the asset is not expensed or fully depreciated.

For betterments to fully depreciated or expensed assets, the betterment should be depreciated according to the standard useful life of the betterment. For assets scheduled for demolition, disposal, or permanent removal from service at a specific future date, the remaining period of utility should not exceed the

anticipated removal date (see section VII, Depreciation and Depletion).

II.T.4. Special Circumstances

II.T.4.i. Betterments to Fully Depreciated Assets

Betterments to fully depreciated assets that remain in use should be capitalized and depreciated only if the value of the betterment exceeds the capitalization threshold at section II.C.

II.T.4.ii. Betterments to Non-Capital or Expensed Assets

Betterments to non-capital or expensed items shall be capitalized if the cost of the betterment exceeds the capitalization threshold and the betterment otherwise meets the criteria for capitalized PP&E.

The placed in-service date is the date the betterment is completed. The underlying asset—if properly expensed in a prior period—should not be capitalized.

II.T.4.iii. Betterments to Assets Permanently Removed from Service

Betterments to assets permanently removed from service should be expensed in the current period. This would include any improvements made to stabilize and/or secure facilities that are pending demolition or transfer to the EM program for ultimate decontamination and demolition. FASAB Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment,* requires that depreciation be discontinued for assets permanently removed from service[viii], with the asset recorded at the estimated net realizable value. Thus, betterments to assets permanently removed from service should be expensed in the current year to ensure that depreciation does not continue for such assets. As necessary, the net realizable value of the asset should be adjusted to reflect the betterment.

II.T.5. Common Categories of Betterments

II.T.5.i. Construction

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 to an existing facility include the following:

- Replacing standard walls with fireproof walls.
- Installing a fire suppression system in a space that was not previously protected.
- 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).

II.T.5.ii. Conversion

Conversion is a major structural revision of a facility that changes the functional purpose for which the facility was originally designed or used.

II.T.5.iii. Replacement

Replacement is a complete reconstruction of a property record unit that has deteriorated or has been damaged beyond the point where its individual parts can be economically repaired. The replacement cost is the cost of the newly installed item, including installation cost. The replacement is capitalized as PP&E. Remove the damaged/deteriorated PP&E from property and financial records.

II.U. Permanent Removal of Impaired PP&E

II.U.1. General Requirements

PP&E shall be removed from general PP&E accounts along with associated accumulated depreciation/amortization, if, before disposal, retirement, or removal from service, and due to damage, obsolescence, or considered excess, the asset is deemed no longer vital to DOE operations. See FASAB's Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment,* for further guidance.

For abandoned projects including CWIP impairments see Section III.G.4.

II.U.2. Determining when Permanent Removal Occurs

Two business events are necessary for the permanent removal from service:

- Use of the asset is terminated, and
- There is documented written evidence of management's decision to permanently remove the asset from service.

If only one of these two events has occurred, permanent removal from service has not occurred (i.e., considered other than permanent removal) and there is no change in the PP&E reported value and depreciation continues.

Management’s decision to remove the property from service is evidenced by the actions taken in accordance with the entity’s policies and procedures to commence the abandonment, retirement and/or disposal process. property records must be maintained to show the occurrence of the two events.

II.U.3. Recording Permanent Removal

If management has decided that an item is permanently removed, the item should be reclassified into an Other Asset account at its expected net realizable value. Any difference in the book value of the PP&E and its expected net realizable value shall be recognized as a gain or a loss in the period of the adjustment. The expected net realizable value shall be adjusted at least annually, and any further adjustments in value recognized as a gain or a loss.

The CFO Office of Finance and Accounting provides a *PP&E Best Practices Guide* that describes Standard General Ledger (SGL) transactional information.

II.U.4. Discontinuation of Depreciation and Amortization

When permanent removal occurs, no additional depreciation or amortization shall be taken once such assets are removed from PP&E in anticipation of disposal or retirement.

II.U.5. Applying the PP&E Capitalization Threshold

The requirements relating to permanent removal from service do not apply to property that has a residual book value that is less than the capitalization threshold at the time of the property’s removal from service (See Section II.C.). Depreciation should continue for such assets, with the book value adjusted at the time of disposal, retirement, or removal from service.

II.V. Permanent Impairment of PP&E Remaining in Service

II.V.1. Basic Requirements

DOE must account for the permanent and significant impairment of PP&E remaining in use, beginning on October 1, 2014. The requirement applies to all PP&E, including CWIP, except for internal use software[ix].

II.V.2. Definition of Impairment for Accounting Purposes

As defined by FASAB in SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use,* impairment is a significant and permanent decline in the service utility of PP&E or expected service utility for CWIP. Entities generally hold PP&E because of the services they provide or will provide in the future; consequently, impairments affect the service utility of the PP&E.

The events or changes in circumstances that lead to impairments are not considered normal and ordinary. That is, at the time the PP&E was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the PP&E or, if expected, sufficiently predictable to be considered in estimating its useful life. PP&E will be identified as potentially impaired as a result of the occurrence of significant events, or changes in circumstances, or routine asset management processes.

The following are common, but not exclusive, indicators of impaired assets:

- Evidence of physical damage.
- Enactment or approval of laws or regulations which limit or restrict general PP&E usage.
- Changes in environmental or economic factors.
- Technological changes or evidence of obsolescence.
- Changes in the manner or duration of use of general PP&E.
- Construction stoppage or contract termination; or
- General PP&E idled or unserviceable for excessively long periods.

Detailed guidance on identifying impaired assets is provided in SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*.

II.V.3. Identifying impaired PP&E

There is no requirement to conduct an annual or other periodic assessment solely for the purpose of identifying impaired PP&E. Impairments should be recorded when they are identified through

normal business practices, or the impairment of PP&E is generally known. In the normal course of business, permanent impairments of items that remain in service should be infrequent.

II.V.4. Assessing The Significance of The Impairment

Judgment is required to determine whether impairments are significant. Specific guidance for assessing the significance of the impairment is contained in SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*.

II.V.5. Measuring Impairment

SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use,* provides multiple approaches for measuring the impairment. Impairments will be measured using one of the accepted methodologies in this standard.

II.W. Improvements to Non-DOE Property

II.W.1. Accounting for Improvements to non-DOE Property

Improvements to non-DOE property, such as leasehold improvements, must be capitalized and recorded as a DOE asset if the improvement otherwise meets the capitalization criteria, including the capitalization threshold.

Improvements to non-DOE property are amortized over the useful life of the improvement, but no longer than the expected lease term. The capitalization threshold applicable to leasehold improvements is the threshold for PP&E.

For improvements made to non-DOE federal property as part of an intragovernmental lease, see section II.X. of this chapter.

II.W.2. Use of Federal Funds for Improvements to Non-Federal Property

The use of federal funds for improvements to the property of others is only permitted under certain circumstances. DOE follows the general principle, established by the Comptroller General, that the Government cannot make permanent improvements to non-Government-owned property. Exceptions to this general principle are based on 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 for determining whether it is allowable to use federal funds for such improvements:

- The proposed alterations are incidental to and essential for the accomplishment of the purpose of the appropriation.
- The cost of the alterations are reasonable.
- The improvements are used for the principal benefit of the government; and
- The government's interest in the improvements is protected. The Comptroller General has normally found that a lease or other agreement securing the occupancy rights of the government is sufficient to protect the government's interest in the improvements. (See, e.g., 71 Comp. Gen. 4, B-243866.1)

II.X. Intragovernmental Leasehold Reimbursable Work Agreements

II.X.1. Overview

Intragovernmental leasehold reimbursable work agreements are agreements whereby one federal agency (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another federal agency (the customer-lessee) and the customer lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration. These reimbursement costs are beyond the tenant improvement allowances included in the lease agreement of the underlying asset (FASAB Technical Bulletin 2023-1),

II.X.2. Customer-Lessee as Primary Beneficiary

Normally, for intragovernmental reimbursable leasehold work agreements, the customer-lessee is expected to be the predominant beneficiary of the acquisition, construction, improvement, and/or alteration to the underlying asset. The customer-lessee should recognize the leasehold improvement asset in accordance with SFFAS 6, Accounting for PP&E, paragraph 18 and SFFAS 54, Leases, paragraph 34.[x]

The customer-lessee is not considered the predominant beneficiary when 1) the expected useful life is beyond the remaining lease term and 2) the provider-lessor is expected to derive a significant level of residual economic benefits or services from the reimbursable work, the customer-lessee is not considered the predominant beneficiary. When the customer-lessee is not the predominant beneficiary, the customer-lessee must apply the requirements specified in paragraphs 20 through 25 of FASAB Technical Bulletin 2023-1.[xi]

II.X.3. Provider-Lessor as Primary Beneficiary

Usually, a provider-lessor would not be expected derive significant residual economic benefits or services from the acquisition, construction, improvement, and/or alteration to the underlying asset in an intragovernmental reimbursable leasehold work agreement. When this is the case, the provider-lessor should expense the costs incurred for the reimbursable work and recognize the amounts received as reimbursable as intragovernmental revenue. The provider-lessor should account for the underlying asset, other than the leasehold improvement, in accordance with SFFAS 6, and SFFAS 54, Leases, paragraph 66.[xii]

Different accounting requirements apply when the when 1) the expected useful life is beyond the remaining lease term and 2) the provider-lessor is expected to derive a significant level of residual economic benefits or services from the reimbursable work. In such cases, the provider-lessor should account for the underlying asset, including the leasehold improvement in accordance with SFFAS 6, and SFFAS 54, Leases, paragraph 66.[xiii]

III. CONSTRUCTION WORK IN PROCESS (CWIP)

III.A. General Requirements

Construction and fabrication costs shall be accrued in the CWIP account. When DOE constructs a capital asset for its own use, the construction cost includes both direct and all allocated indirect costs of the entity that constructed the asset. For assets constructed for DOE by integrated contractors, construction costs include all direct and allocated indirect costs incurred during construction. Construction activities may include additions or betterments to existing PP&E; erecting temporary construction facilities; and, in certain circumstances, demolition, dismantling, and removal.

The cost of land and permanent land rights purchased for a construction activity is expensed (per SFFAS 59) and thus excluded from the CWIP account. (See Section IV.C, *Purchase of Real Property*).

III.B. Accumulating CWIP Costs

Costs shall be accumulated in the CWIP account until the asset is completed.

Detailed accounting records should be maintained for:
- Each construction project or job; and
- Each item of capital equipment.

III.C. Demolition, Dismantling, and Removal Costs & Salvage Credits

Removal costs should be accounted for as CWIP when the removal is in connection with an authorized project and when one of the following conditions is met:

- Removal of existing facilities or equipment is a required part of the construction project.
- Costs are incurred when it is economical to salvage or reuse items.
- The removal is necessary for health and safety considerations; or
- Contractual agreements require removal.

III.D. Transferring CWIP to General PP&E

Per SFFAS 6, paragraph 34, CWIP shall be transferred to general PP&E when the asset is placed in service. The placed in-service date is determined at the discretion of the management official with responsibility for the construction project. When determining the placed in-service date, management officials may consider project management completion dates as appropriate, including consideration of when the facility begins operations for its predominate use. Both Standard Accounting and Reporting System (STARS) and Facilities Information Management System (FIMS) shall be updated when an asset is placed in service.[xiv]

When a construction effort involves multiple property record units, the placed in-service date shall be determined separately for each unit.

Special provisions apply for EM property. See Section II.S.1 of this policy for a discussion of EM property.

III.E. Construction and Fabrication Activities

III.E.1. Separating Construction and Fabrication Costs from Research and Development Costs

Costs incurred for construction and fabrication activities are recorded as CWIP and capitalized when the asset is placed in service; costs incurred for Research and Development (R&D) activities are expensed. DOE entities--including contractor-operated sites or national laboratories—that perform both R&D and construction/fabrication activities must be able to appropriately segregate costs.

III.E.2. Equipment Acquired as Part of a Construction Project

Equipment acquired specifically to support a construction or fabrication activity are not personal property items. Instead, for items of equipment that are an integral part of that activity or are related to, designed for, or specially adapted to the functional or productive capacity of that activity, the costs to purchase, fabricate, and install such items are considered related personal

property and shall be included as part of the construction or fabrication activity. Related personal property is defined in IV.F of Chapter 2.4 of the Financial Management Handbook and 41 CFR 102-36.40.

III.E.3. Equipment Fabricated

When the costs and estimated useful life of items fabricated at a DOE facility meet the capitalization criteria, the item should be capitalized and recorded. For assets fabricated by a site/facility management contractor, the asset value is determined by the contract cost, including all direct costs incurred and allocated indirect costs as determined by the contractor's approved Cost Accounting Standards (CAS) Disclosure Statement. Actual costs should be used whenever possible, but a cost estimate, approved by DOE management, may be used when necessary. Refer to DOE FMH, Chapter 15.1, *DOE Application of CAS,* and Chapter 15.3, *Production Cost Accounting*, for additional guidance regarding cost accounting requirements.

III.F. Existing Facilities Moved Because of Construction Activities

III.F.1. Moving existing permanent facilities, such as utility lines and roads, because of construction activities involves retirement by removal or abandonment of existing facilities and the addition of new facilities. Such new facilities will be accounted for as a cost of the new project. Removal costs should be charged to CWIP for Removal Costs. Credit the book cost of materials reused in the new project to CWIP for Salvage Credits and charge the assigned cost to the new project.

The book cost of other materials salvaged should also be credited to CWIP 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.

III.F.2. Costs of moving temporary construction facilities should be charged to CWIP accounts and distributed to all projects served by the temporary facilities.

III.G. Closeout of Construction Projects

III.G.1. Coordination between Finance and Project Management Personnel

Finance and project management personnel should coordinate to establish effective procedures to provide for the capitalization of construction projects.

III.G.2. Determination of Acquisition Costs

Acquisition costs are based on the final cost report prepared by the prime construction contractor or architect-engineer, or otherwise as determined by financial and project management officials.

If necessary, to ensure timely capitalization the acquisition costs (actual costs) used for the initial capitalization should be based on the best current information when the project is placed in service. Adjustments may be needed if acquisition costs indicated by the final cost report are different.

III.G.3. Capitalization of a Completed Construction Project

The total cost of a construction project or an operative unit within a project should be closed to the appropriate completed PP&E categories from the CWIP account once the PP&E is placed in service. Each 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 must be closed to the completed PP&E categories based on actual total cost incurred to date.

III.G.4. Abandoned Projects

Abandoned project costs include costs incurred because of the cancellation of all or part of a contract or purchase order to acquire or construct/fabricate an item of PP&E.

CWIP accounts must be reviewed on an annual basis to identify construction or fabrication activities that have been put on hold, resulting in CWIP accounts with no recent activity (stale CWIP accounts). When this occurs, the federal project manager must be consulted to determine whether a project is abandoned. All charges for write-off of abandoned projects must be approved in writing first by the federal project management official responsible for the abandoned project, and then by the DFO.

Abandoned projects must meet the Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment,* criteria for permanent removal at II.U.2. and II.U.3.

III.G.5. Adjustments to Historical Cost

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 CWIP account when paid, but subsequently closed to completed Plant and Capital Equipment. Necessary adjustments to the original costs of the related financial accounting property record units previously recorded should be made at the time the project is placed in service.

III.G.6. Determination of the Placed in-Service Date

As indicated by SFFAS 6, *Accounting for Property, Plant, and Equipment,* construction projects must be capitalized when they are placed in service. See Paragraph II.T.2. of this policy for additional detail on determining the placed in-service date for betterments.

IV. ACCOUNTING REQUIREMENTS SPECIFIC TO REAL PROPERTY

IV.A. Real Property Definition

Per DOE Order 430.1C Change 2 (Sept 2020) Attachment 1 *Real Property Asset Management,* Real Property is defined as “Any interest in land, together with the improvements, structures, and fixtures located thereon (including prefabricated movable structures, such as Butler-type storage warehouses and Quonset huts, and house trailers with or without undercarriages), and appurtenances thereto, under the control of any federal agency. See DOE Order 430.1C Attachment 1 Section 73.a. for exceptions. A real property trailer must be affixed to the ground or permanently connected to a utility service per DOE Order 430.1C Change 2 Attachment 1 Section 75.

IV.B. Financial Controls Over Real Property

Detailed records of DOE-owned property must be maintained by the DOE DFO or by a designated contractor. The summary financial control records maintained by the DFO, and contractors must include, at a minimum, the reporting entity 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 must 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 must 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.

Detailed accountability records of all DOE-owned land, such as deeds, plats, and other legal documents need to be maintained.

IV.C. Purchase of Real Property

The acquisition cost of real property includes the following:

IV.C.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.

As of October 1, 2025**,** if a newly acquired facility is to be used in operations, the amount related to the structure shall be estimated and capitalized while the amount related to the land [and permanent land rights] shall be expensed. If acquisition of the structure is incidental to the acquisition of the land and the structure is not intended to be used in operations, the cost of the entire acquisition shall be expensed[xv].

IV.C.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 Office of Finance and Accounting.

IV.D. Financial Reporting Requirements

DOE prepares its annual financial statements and accompanying note disclosures in accordance with OMB Circular A-136 and DOE's Agency Financial Report (AFR) Note 8. DOE segregates its PP&E into several major categories including:

Land and Land improvements[xvi]
Structures and facilities
Internal Use Software
Equipment
Natural Resources
Construction Work in Process

IV.E. Reconciliation of Real Property Records

DOE organizations and integrated contractors must reconcile their real property records. Financial control records are kept in the Department's accounting system, STARS; the real property records are kept in the FIMS database maintained by the Office of Management. Reconciliation is a necessary step to ensure the accuracy of the Department's financial reporting.

The end of year reconciliation must use the financial control records as of September 30. To assist with the reconciliation of STARS and FIMS records, the following guidance must be observed:

- To permit reconciliation with the September 30 STARS financial control records, restrict changes and additions to FIMS to real property changes incurred only through September 30.
- 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.
- Only appropriate real property asset-type and use status codes should be used.
- The cognizant project manager must provide an allocation to the appropriate asset type codes for any project even though the final cost report is not complete.
- FIMS records the acquisition cost of the property. The acquisition cost recorded in FIMS is not adjusted downward to account for depreciation.

V. PERSONAL PROPERTY ACCOUNTING REQUIREMENTS

V.A. Definition

Current DOE Guide 580.1-1A Change 1 (December 8, 2021) defines Personal Property includes all equipment, material, and supplies not classified as real property[xvii].

Personal property is capitalized for accounting purposes when it has an estimated useful life of two years or more and meets the capitalization threshold specified in section II.C of this policy.

Personal property does not include real property as defined in section IV.A (DOE Order 430.1C Change 2 (Sept 2020) Attachment 1 *Real Property Asset Management)* or related personal property defined in endnote ii.

V.B. Capitalized Personal Property Accounts

V.B.1. Subsidiary Accounts

Ledger subsidiary accounts are maintained to include capital equipment by account and additional data code elements, such as asset type, use status, and site.

V.B.2. Major Items of Equipment

Major Items of Equipment are defined in DOE FMH Chapter 2.4 *Major Items of Equipment*, section IV.A. Separate accounts are maintained for Major Items of Equipment to meet budgetary

reporting requirements. See DOE FMH Chapter 2.4 for current budgetary requirements.

V.C. Financial Controls Over Capitalized Personal Property

V.C.1. All capital equipment, except as qualified below, is recorded in the appropriate account, which is supported by summary and detail accounts for each DOE activity.

V.C.2. The costs to similarly acquire capital equipment must be accumulated and transferred, using accounting entries, directly into the completed Plant and Equipment account.

V.C.3. Financial records do not duplicate the detailed property records maintained by the cognizant program office. However, for internal control purposes, the balances in the financial accounts should be reconciled semiannually with the detailed property records.

V.D. Property Acquired by Purchase

V.D.1. The cost of property 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 asset should be the net invoice cost plus the allowance for the traded-in asset. Indirect costs allocated to the acquisition of the asset by a DOE site/facility management contractor are only capitalized for assets produced or constructed.

V.D.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.

V.E. Research and Development Equipment

Property acquired or fabricated for use in research is not capitalized if the property is not expected to have a useful life of two years or more in essentially its original form. The cost of such property is charged to operating expense.

V.F. Property Acquired for DOE by Another Agency

V.F.1 Overview

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. In some cases, another agency may acquire capital

equipment or property to support the performance of an interagency agreement that is funded by DOE.

V.F.2. Management of Property Acquired During Execution of the Interagency Agreement

If capital equipment is purchased or otherwise acquired with DOE funds pursuant to an agreement, the title remains with DOE.

The other federal agency is accountable for the property until it is transferred to DOE and should maintain a record of capital equipment procured or fabricated.

The other agency should furnish DOE cost or financial reports in the detailed format 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.

V.F.3. Disposition of Property Acquired at the Completion of the Agreement

At the termination or completion of the interagency agreement, accountability and control of assets, regardless of dollar value, should be transferred to DOE if requested. If transfer is not requested, title should be transferred to the other federal agency.

The capital equipment shall be recorded in the DOE accounting records when it is transferred to DOE, if the equipment otherwise meets DOE capitalization requirements, including the applicable capitalization threshold. The capitalization threshold shall be applied to the acquisition cost, not the book value when transferred. The accounting process for property transfers is described in section VIII. of this policy.

VI. INTERNAL-USE SOFTWARE

VI.A. Applicability

SFFAS 10, *Accounting for Internal Use Software*, is applicable to all internal use software either purchased or in the development phase after September 30, 2000[xviii]. "Internal use software" means software that is purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet the entity's internal or operational needs[xix]. It applies to internal use software procured or developed by federal as well as contractor entities, assuming that such software will be owned by the Department. Software includes the application and operating system programs, procedures, rules, and any associated

documentation pertaining to the operation of a computer system or program.

VI.B. Capitalization Criterion

Software valued at the current capitalization threshold for internal use software (see II.C of this chapter) and more with a useful life of at least two years shall be capitalized. The capitalization threshold applies to the total cost of the project. Thus, the threshold should be applied not only to the current increment of a phased software project but also to planned future increments and enhancements if the aggregate cost exceeds the capitalization threshold.

As specified in section II.R of this chapter, property, including internal-use software acquired to support the EM legacy waste mission is not capitalized. See VI.D.1. for software acquired to support DOE's legacy waste mission and then subsequently utilized primarily for other missions.

VI.C. Bulk Purchase

A bulk purchase of software is the single purchase of like items of software in a lot, with the cost of each individual item being below the Department's established software capitalization threshold [xx]. Bulk purchases of internal use software that meet the Department's established capitalization threshold and possess a minimum two-year lifespan shall be capitalized.

VI.D. Exclusions

The following types of projects should not be capitalized:

VI.D.1. Software supporting DOE's legacy waste mission: i.e., internal use software whose primary purpose (more than 50%) is to support DOE's legacy waste mission, is excluded from the requirements of SFFAS 10, *Accounting for Internal Use Software*.

VI.D.2. Software that is an integral part of stewardship PP&E.

VI.D.3. Research and Development Software
Software may originally be developed for R&D purposes but may later be used for operational purposes. In such circumstances, the software should be capitalized if it otherwise meets the capitalization criteria.

VI.D.4. Minor Enhancements of Existing Internal Use Software

Per SFFAS 10, paragraph 25, the acquisition cost of enhancements to existing internal use software should be capitalized when it is more likely than not that they will result in significant additional capabilities or functionality. For example, in

an instance where the federal entity adds a capability or function to existing software for making ad hoc queries, the cost would be capitalized. (See Section VI.F.2. of this policy).

VI.E. Expenses Capitalized According to Project Phases

Federal entities may purchase software as part of a package of products and services (e.g., training, maintenance, data conversion, reengineering, site licenses and rights to future upgrades and enhancements). Federal entities should allocate the capitalizable and noncapitalizable cost of the package among individual elements on the basis of a reasonable estimate of their relative fair values. Costs that are not susceptible to allocation between maintenance and relatively minor enhancements should be expensed. (SFFAS 10, paragraph 23)

Not all costs associated with a software project or procurement will be capitalized. Costs incurred before project authorization, and costs incurred after testing and acceptance, will be expensed. Further, in accordance with FASAB standards, all data conversion costs are to be expensed.

The table below summarizes the phases of a software project and shows which phases should be capitalized and which phases should be expensed.

Phases of Software Task/Project	Capitalize or Expense?
Conceptual Design	Expense
Authorization	Initiate Capitalization
Design & Implementation	Capitalize
Testing	Capitalize
Data Conversion	Expense
Acceptance	Terminate Capitalization
Operation	Expense
Maintenance	Expense
Enhancements	Capitalize (See VI.F.1.)
Impairment	Reduce capital value
Retirement	Remove capital asset

For more detailed guidance relating to software phases and related processes refer to SFFAS 10, *Accounting for Internal Use Software.*

VI.F. Capitalization & Expense Guidance

VI.F.1 Costs to be Capitalized

The following costs related to the purchase, development or modification of internal use software or modules or components of a total software systems[xxi] should be capitalized if those costs exceed the capitalization threshold for internal use software (see II.C of this chapter) and the software is expected to have a useful life of two years or more:

- The actual cost of software procured from a software provider.
- Any material internal cost incurred by the entity to make commercial off-the shelf (COTS) software ready for use.
- The direct and indirect costs of developing software internally including initial training and documentation manuals. The direct costs of developing software include internal labor charges for personnel compensation and benefits of programmers, systems analysts, project management, and administrative personnel directly involved in the planning, designing, coding, or testing of the software, and costs incurred for supplies during the development stage.
- The amounts paid by the entity to a contractor to design, code, test, install, and implement the software. In addition, any material internal cost incurred by the entity to make the software ready for use should be capitalized.
- The acquisition cost of enhancements to existing internal use software should be capitalized when it is more likely than not that they will result in additional capabilities, and they meet the capitalization threshold. (SFFAS 10, paragraph 25)
- The cost of changes and modifications to existing software or purchased software that results in additional capabilities (i.e., added functionality) of the software.
- The cost of software configuration, software interfaces, and installation to hardware; and
- The cost of testing, including any parallel processing.

VI.F.2. Costs to be Expensed

The following costs related to the purchase, development, or modification of internal use software should be expensed:

- Costs incurred in the preliminary design stage such as the identification, evaluation, and testing of various alternatives;

the determination of technology requirements; and the final selection of an alternative.
- Data conversion costs.
- Costs incurred after final acceptance testing has been successfully completed.
- Enhancements costing less than the capitalization threshold for internal use software (see II.C of this chapter) that are part of a phased software development project and enhancements that extend the useful life of the software should be expensed. Note that patches and routine updates are not enhancements
- Per SFFAS 10, paragraph 26, enhancements require new software specifications and may require a change of all or part of the existing software specifications as well. The cost of minor enhancements resulting from ongoing systems maintenance should be expensed in the period incurred. Also, the purchase of enhanced versions of software for a nominal charge are properly expensed in the period incurred.
- Costs incurred which extend the useful life of the software without adding capabilities. Examples include the repair of a design flaw or minor upgrades that extend the useful life of the software. However, in instances where the useful life of the software is extended, the amortization period would be adjusted.

VI.G. Amortization of Capitalized Software Costs

Software that is capitalized pursuant to the above must be amortized in a systematic and rational manner over the estimated useful life of the software. The estimated useful life used for amortization must be consistent with that used for planning the software's acquisition.

On a software project, amortization begins when DOE completes final testing of each module or component. If the use of a module or component is dependent on the completion of another action, amortization of that module or component must begin when both actions have successfully completed final testing.

Any additions to the book value or changes in useful life must be treated prospectively. The change must be accounted for during the period of change and future periods. No adjustments should be made to previously recorded amortization. When an entity replaces existing internal use software with new software, the unamortized cost of the old software should be expensed when the new software has successfully completed testing.

VI.H. Special Considerations for Cloud Computing Arrangements

VI.H.1. For accounting purposes, FASAB defines a cloud computing service as any resource that is provided over the Internet. It has the following essential characteristics: on-demand self-service, broad network access, resource pooling, rapid elasticity, and measured service. The most common cloud service resources are software as a service, platform as a service, and infrastructure as a service [xxii] (Technical Release 16, *Implementation Guidance for Internal Use Software*, paragraph 28).

VI.H.2. In general, SFFAS 10, *Accounting for Internal Use Software,* is not applicable to a cloud computing arrangement that does not convey a contractual right to the internal-use software or to ones that do not include an internal-use software license[xxiii] (Technical Release 23, *Omnibus Technical Release Amendments 2024*, paragraph 6). If the Department enters a cloud computing arrangement with a non-DOE entity that includes a software license, the Department should account for the software license element of the arrangement consistent with the acquisition of other software licenses in accordance with the lease criteria stated in SFFAS 54, *Leases*.

Dependent upon contractual terms, it is possible for internal use software that includes a cloud service arrangement to meet the definition of a lease if the lessee receives a right to control access to the economic benefits or services derived from the underlying asset as specified in the contract or agreement[xxiv] (SFFAS 54, *Leases,* paragraphs 2 and 3). DOE FMH, Chapter 10.2, *Lease Accounting* contains additional information on leases.

VI.H.3. If the Department develops and owns the software, platform or infrastructure that is used in the cloud computing arrangement, the DOE entity should account for the software asset in accordance with SFFAS 10, *Accounting for Internal Use Software*.

VI.H.4. If the Department acts as the service provider for cloud computing software and/or infrastructure funded in part by non-DOE entities, the Department should account for the software in accordance with SFFAS 10, *Accounting for Internal Use Software*.

VII. DEPRECIATION AND DEPLETION

VII.A. Purpose

Assets are recorded at acquisition cost and in accordance with definitions of types of assets, such as buildings, motor vehicles, and computers. DOE reports depreciation, depletion, or amortization expenses for all Departmental property other than land.

VII.A.1. Tangible Assets (Depreciation)

Accumulated depreciation accounts are maintained and reported for tangible assets.

VII.A.2. Minerals, Timber, and Natural Resources (Depletion)

Depletion is recorded for natural resource assets such as minerals and timber.

VII.A.3. Land

VII.A.3.i. FASAB considers land and permanent land rights acquired for or in connection with other general PP&E as general PP&E that should not be capitalized General PP&E land excludes land categorized as stewardship land, such as (1) withdraw public lands and (2) land restricted for conservation, preservation, historical, or similar purposes[xxv]. (SFFAS 59, *Accounting and Reporting of Government Land,* paragraph 4(a))

VII.A.3.ii. DOE should recognize depreciation expense on all general PP&E except land and permanent land rights which are expensed as incurred[xxvi]. (SFFAS 59, *Accounting and Reporting of Government Land,* paragraph 4(d))

VII.A.3.iii. DOE should depreciate or amortize temporary land rights, such as easements or rights-of-way, that are held for a specified period of time, or limited duration, over that timeframe[xxvii]. (SFFAS 59, *Accounting and Reporting of Government Land,* paragraph 4(d))

VII.B. Basic Requirements

VI.B.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.

VII.B.2. Generally, all limited-life property, including property being acquired by capital lease, is considered depreciable, whether in service or in standby.

VII.B.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 non-depreciable. 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[xxviii].

VII.B.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 an hourly use basis.

VII.B.5. 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.

VII.C. Depreciation Methods Utilized by DOE

VII.C.1. Unit Procedure for Computing Depreciation Expense

Under the unit procedure, a unit of property is depreciated at a rate based on its specific useful life. If it is retired from service because of normal causes before the expiration of its estimated useful life, the retirement loss is charged to depreciation expense and a credit is made to the accumulated depreciation account.

VII.C.2. Group Procedure for Computing Depreciation Expense

Under the group procedure, an average useful 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 is applied to the group according to the average useful life of the group until the group is fully depreciated. 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.

VII.C.3. Composite 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 useful 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:

Asset	Cost	Rate (percentage)	Annual Depreciation ($)
1 (5-year useful life)	$100,000	20	20,000
2 (6-year useful life)	$50,000	16.6	8,300
3 (10-year useful life)	$350,000	10	35,000

Composite annual depreciation: $63,300, or 12.7% of the $500,000 total asset cost

VII.D. Standard Useful Lives

VII.D.1. List of Standard Useful Lives

DOE must calculate depreciation rates on PP&E assets using a standard useful life (see attachment 10.1) except for those assets having useful lives that are materially different from normal averages because of the peculiarity of their use or other special conditions. The useful life of a constructed or fabricated asset should normally be determined by the project manager. The list of standard useful lives is expanded or revised as required. Extraordinary obsolescence and nonrecurring casualties were not considered in establishing the standard useful lives noted in attachment 10.1.

For financed asset purchases, the underlying asset is recorded as PP&E when the asset is placed in service and depreciated according to the useful life of the asset and not the lease term.

VII.D.2. Revision to Standard Useful Lives

Requests for each revision to the standard useful lives must contain a complete description; use made, unit costs, retirement history of identical or comparable assets and recommended useful 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.

Power Marketing Administrations should refer to publications or studies on utility plant useful lives.

VII.E. Recording Depreciation

Depreciation is 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, adjustments to the depreciation base is effective within the first of the month following the month in which the change occurred.

Depreciation on the PP&E in each use status is treated as follows:

VII.E.1. In Service

Depreciation on PP&E in service is charged to the appropriate program values (for example, production cost, development, research, or program directions) in which the items are used.

VII.E.2. In Standby

Depreciation on PP&E in standby is charged to the budget and reporting classification of former use. However, when there is a definite planned 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 are reported (but excluded from product inventory) as other production expenses.

VII.E.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 value, the depreciation expense on such equipment is allocated to that program value. For equipment held for general or multipurpose use, depreciation expense is allocated to program values on a reasonable and equitable basis.

VII.E.4. Excess

Depreciation on excess PP&E should not be calculated.

VII.F. Exceptions

VII.F. Depreciation of Improvements to Property of Others

Depreciation accruals on PP&E included in the Improvements to Property of Others account are based on the normal useful 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.

VII.F.2. Calculation of Depletion

To calculate depletion, an estimate is made for 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.

VII.F.3. Depletion for Oil and Gas Production

VI.F.3.i. Depletion is recorded on a units of production basis for acquisition, exploratory, and development costs of proved properties and the cost of facilities for extracting, gathering, and storing oil and gas.

VI.F.3.iii. Depletion for the cost of gas plants is recorded on a straight-line basis (one half of first year depreciation in the year of acquisition, and the other half in the year of disposition).

VIII. PROPERTY TRANSFERS

VIII.A. Transfers Between DOE Offices and Contractors

Transfers are typically 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,” with the transfer recorded in STARS.

VIII.A.1. Transfers of Completed PP&E

Completed PP&E shall be transferred based on the acquisition cost less the accumulated depreciation or amortization. If the receiving entity cannot reasonably ascertain those amounts, the cost of the PP&E shall be its fair value at the time of transfer (SFFAS 6, paragraph 31).

VIII.A.2. Transfers of Construction Work in Process

CWIP is transferred based on costs accumulated for a particular construction project.

VIII.B. Documentation and control of transfers

DOE F 2240.7, *Transfer Voucher*, shall be used for transfers of property within DOE. Transfer vouchers reflecting activity between DOE offices shall be forwarded to the DOE Office of Finance and Accounting for processing.

VIII.B.1. Preparation of the Voucher Transfer

The transferring organization shall prepare and issue transfer vouchers for the movement of material and property. 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. This will allow either the receiving organization or the DOE Office of Finance and Accounting to process the transfer and identify and distribute the costs. The transfer organization shall furnish copies of source documents, when available, along with the transfer voucher.

To ensure appropriate accounting, each transfer voucher shall show the appropriate type of transfer in a conspicuous manner as part of the description, as follows:

- Administrative transfers
- Excess equipment for disposal
- Other excess plant and capital equipment transfers

VIII.B.2. 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 yearend closing instructions issued by the DOE Office of Finance and Accounting. 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 the Office of Finance and Accounting soon enough for such amounts to be accrued.

VIII.C. Reconciliation of DOE transfer accounts

Each organization shall adhere to the following rules, as well as to the procedures prescribed in Section VIII.B above, for preparing

and forwarding transfer vouchers to keep the DOE transfer accounts in agreement:

VIII.C.1. The transferring organization shall review its accounting records to ensure that all charges or credits to Transfers Issued reconcile to the completed transfer voucher.

VIII.C.2. The offices shall resolve and correct differences in the same monthly edit. Each office shall review the monthly reconciliation of transfers provided by the Office of Finance and Accounting on a cumulative transaction basis in summary form and initiate any necessary corrective action. The Office of Finance and Accounting 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.

VIII.C.3. If any transferred items are inadequately supported by documentation or are improper, the organization receiving the transfer voucher shall ask the office that prepared the transfer voucher to furnish additional information or a correcting transfer voucher, as the situation may require.

VIII.C.4. Confirmation of Transfers. Each organization preparing transfer vouchers shall confirm all transfers made at the end of the month. Additional confirmation requirements, such as a transfer confirmation document, may be provided in the annual year-end requirements memorandum.

VIII.D. Transfers to and from Other Federal Agencies

Such transfers 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.

VII.D.1. Transfers of completed plant and capital equipment to Other Federal Agencies (OFA's). Transfers of completed plant and capital equipment of OFAs are recorded by crediting the Completed Plant and Capital Equipment Account for the acquisition cost, debiting the Accumulated Depreciation Account for the amount accumulated, and debiting the Financing Sources Transferred Out Account for the net book value.

VII.D.2. Transfers of completed plant and capital equipment from OFAs shall be recorded by debiting the Completed Plant and Capital

Equipment Account for the acquisition cost, crediting the Accumulated Depreciation Account for the amount (estimated if unknown) accumulated, and crediting the Financing Sources Transferred In Account for the net book value, based on the transfer documents.

IX. RESPONSIBILITIES

IX.A. The Office of the Chief Financial Officer

The CFO develops property accounting policies and procedures and accounts for property at DOE headquarters.

IX.B. The Office of Asset Management

IX.B.1. Serves as the Department's official point of contact relating to the acquisition, use, or disposal of real property.

IX.B.2. Is responsible for property management through the promulgation of acquisition regulations and financial assistance rules governing DOE property held by contractors; and

IX.B.3. Develops and maintains procedures, standards, and guides for property, supply, and equipment management programs and for personal property management.

IX.C. Designated Financial Officers

DFOs are responsible for oversight and review of integrated contractor accounting records and supporting documentation to properly account for DOE's investment in property.

DFOs also record DOE PP&E held by non-integrated contractors and financial assistance recipients.

IX.D. DOE Contractors

DOE contractors must maintain accurate and up-to-date accounting records and supporting documentation to provide the proper accountability for DOE's investment in property. Contractors also must maintain financial control records for all subcontractors having DOE-owned property.

IX.E. Project Management Officials

Determines the placed-in-service date for constructed or fabricated assets and provides necessary information and support to ensure that financial management staff can properly account for PP&E.

X. REFERENCES

- 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

- 41 CFR 102, *Federal Property Management Regulations*
- 41 CFR 109, *Department of Energy Property Management Regulations*
- 41 CFR 109-1.50, *Department of Energy Personal Property Management System*
- 41 CFR 109-1.5105, *Identification Marking of Personal Property*
- 41 CFR 109-1.5110, *Physical Inventories of Personal Property*
- SFFAS 6, *Accounting for Property, Plant, and Equipment*
- SFFAS 10, *Accounting for Internal Use Software*
- SFFAS 42, *Deferred Maintenance and Repairs*: *Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32.*
- SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*
- SFFAS 54, *Leases*
- SFFAS 59*, Accounting and Reporting of Government Land*
- Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment*
- Technical Release 16, *Implementation Guidance for Internal Use Software*
- Technical Release 20, *Implementation Guidance for Leases*
- Technical Bulletin 2023-1, *Intragovernmental Leasehold Reimbursable Work Agreements*
- IRS Publication 946, Table B-1, *Table of Class Lives and Recovery Periods: Specific Depreciable Assets Used in All Business Activities*, Expect Otherwise Noted
- IRS Publication 946, Table B-2, Table *of Class Lives and Recovery Periods: Depreciable Assets Used in Specific Activities*
- DOE Order 430.1C Change 2, *Real Property Asset Management*
- DOE Guide 580.1-1A, *Personal Property*
- DOE Form 2240.7, *Transfer Voucher*
- DOE FMH, Chapter 1, *Financial Management Handbook Overview*
- DOE FMH, Chapter 2.4, *Major Items of Equipment*
- DOE FMH, Chapter 4, *DOE Accounting Structure, Organization, and Systems*
- DOE FMH, Chapter 10.2, *Lease Accounting*
- DOE FMH, Chapter 15.1, *DOE Application of Cost Accounting Standards*

- DOE FMH, Chapter 15.2, *Laboratory, Plant, and Site Directed Research and Development*
- 71 Comp. Gen. 4, B-243866.1

XI. ACRONYMS

CAS	Cost Accounting Standards
CFO	Chief Financial Officer
COTS	Commercial Off the Shelf
CWIP	Construction Work in Process
DFO	Designated Financial Officer
DOE	Department of Energy
EM	Office of Environmental Management
ESPC	Energy Savings Performance Contracts
FASAB	Federal Accounting Standards Advisory Board
FEMP	Federal Energy Management Program
FIMS	Facilities Information Management System
FMH	Financial Management Handbook
IRS	Internal Revenue Service
OFA	Other Federal Agencies
PMA	Power Marketing Administration
PP&E	Property, Plant, and Equipment
R&D	Research and Development
SFFAS	Statement of Federal Financial Accounting Standard
SGL	Standard General Ledger
STARS	Standard Accounting and Reporting System
TSD	Treatment, Storage, and Disposal

ATTACHMENT 10.1-1 STANDARD USEFUL LIVES

Item	Useful Life (Years)
Absorbers	20
Accelerators	20
Acid Handling Equipment	10
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 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
Beds, Cooling	25
Benches, Work:	
Metal	10
Wood	15

Item	Useful Life (Years)
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,

Item	Useful Life (Years)
	but not to exceed 50 years
Cabinets, drying, firehose	15
Cable, aerial, telephone	30
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:	

Item	Useful Life (Years)
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
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-ft 3 tank size, 40 ft of deck length, or 3 ft 2 of cooling surface per linear foot)	15
Curtains, ventilation	10

Item	Useful Life (Years)
Cutters, shade	10
Cyclotrons	20
Cylinders, product storage, steel	40
Dams	100
Deaerators	25
Decks, slime	20
Degasifiers	20
Degreasers	20
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
Firefighting equipment, mobile	15

Item	Useful Life (Years)
Flagpoles	30
Flexible shafts, with motors	15
Freezers, electric	15
Furnaces:	
Electric:	
Reaction	20
Remelt	20
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

Item	Useful Life (Years)
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
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:	

Item	Useful Life (Years)
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
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

Item	Useful Life (Years)
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
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

Item	Useful Life (Years)
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
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

Item	Useful Life (Years)
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
Traveling	25
Vibrating	20
Scrubbers (tank over 20 ft^3)	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

Item	Useful Life (Years)
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
Screens:	
Trash	35
Traveling	25
Vibrating	20
Scrubbers (tank over 20 ft^3)	20
Security alarm system	25
Stacks:	
Concrete or masonry	50
Metal	30
Stitchers, wire	10
Stills	20
Straighteners, bar	20
Strapping machines	15
Structures, outdoor substation:	
Metal	40
Wood	25
Superheaters (tank over 20 ft^3 or 100-ft^2 surface)	15
Switchboards	20
Switches, Disconnecting	20
Switchgear	30
Synchrotrons:	
Electron	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

Item	Useful Life (Years)
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
Wires, open, overhead	25
Wiring systems, outdoor	30

[i] 41 CFR 109-1.5110 (e)

[ii] Related personal property is defined 41 CFR 102-36.40 as property that is related to, designed for, or specifically adapted to the functional capacity of real property; removal of this personal property would significantly diminish the economic value of the real property.

[iii] See paragraph 149 or SFFAS 6.

IV SFFAS 6, Paragraph 26

[v] Lost discounts and late payments may constitute reportable improper payments and/or unallowable contract costs. Follow applicable guidance from the CFO Office of Finance and Accounting regarding the reporting of improper payments.

[vi] Site/Facility management contractors are designated by the DOE Office of Acquisition Management. The current list of site/facility management contractors is posted on the DOE website.

[vii] SFFAS 42, Paragraph 8

[viii] Technical Release 14, Paragraph 5

[ix] SFFAS 44

[x] FASAB Technical Bulletin 2023-1, paragraphs 10 and 10a

[xi] FASAB Technical Bulletin 2023-1, paragraph 11

[xii] FASAB Technical Bulletin 2023-1, paragraph 10b

[xiii] FASAB Technical Bulletin 2023-1, paragraph 11 and paragraphs 26 – 31
[xiv] Requirements for using the FIMS system for real property assets are contained in DOE Order 430.1C (current version).
[xv] SFFAS 59, paragraph 4 (c)
[xvi] As of FY 2026, Land and permanent land rights are disclosed in the footnotes of a federal entity's financial statements (SFFAS 6, paragraph 45A).
xvii DOE Guide 580.1-1A is currently under revision (August 2024). The proposed revision updates the definition of personal property to include any property, except real property. For purposes of this guide, the term excludes records of the federal government, and naval vessels of the following categories: battleships, cruisers, aircraft carriers, destroyers, and submarines
[xviii] SFFAS 10, Paragraph 7
[xix] SFFAS 10, Paragraph 8
[xx] Each federal entity should establish its own threshold as well as guidance on applying the threshold to bulk purchases of software programs (e.g., spreadsheets, word-processing programs, etc.) and to modules or components of a total software system. That guidance should consider whether period cost would be distorted or asset values understated by expensing the purchase of numerous copies of a software application or numerous components of a software system and, if so, provide that the collective cost should be capitalized (SFFAS 10, paragraph 24).
[xxi] See SFFAS 10, paragraph 24
[xxii] Technical Release 16, Paragraph 28
[xxiii] Technical Release 20, Paragraph 102
[xxvi] SFFAS 54, paragraphs 2 and 3
[xxv] SFFAS 59, paragraph 4(a)
[xxvi] SFFAS 59, paragraph 4(d)
[xxvii] SFFAS 59, paragraph 4(d)
[xxvi] SFFAS 59 did not change the accounting or reporting requirements for temporary land rights, which should be capitalized and reported on the balance sheet (TB 2025-1 - Technical Clarifications: SFFAS 59, Accounting and Reporting of Government Land, paragraph 13)

CHAPTER 10.2
LEASE ACCOUNTING

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I. INTRODUCTION

I.A. Purpose and Scope

This chapter provides Department of Energy (DOE) policy on accounting for DOE leases in accordance with applicable guidance promulgated by the Federal Accounting Standards Advisory Board (FASAB).

This policy is not intended to duplicate the lease accounting guidance provided by FASAB. Section II of this policy summarizes key lease accounting concepts used in conjunction with the underlying FASAB guidance, including the Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*.

Detailed guidance relating to lease accounting entries, consistent with the Department of the Treasury's (Treasury) U.S. Standard General Ledger (USSGL) accounts, is provided separately by the CFO Office of Finance and Accounting. The *DOE Lease Accounting Best Practices Guide* will be available on the CFO Financial Statement iPortal page.[i]

This policy does not provide budgetary guidance. Guidance relating to the scoring of leases[ii] for budgetary purposes and lease transactions requiring OMB approval is contained in OMB Circular A-11, *Preparation, Submission and Execution of the Budget*, and DOE Order 130.1A., *Budget Planning, Formulation, Execution, and Departmental Performance Management.*

I.B. Applicability

This chapter applies to all lease arrangements entered into by DOE federal entities and DOE integrated contractors.[iii]

Lease arrangements entered into by non-integrated site/facility management contractors[iv] shall be accounted for as DOE lease agreements in accordance with the guidance in this chapter when the primary purpose (greater than 50 percent) of the lease is to support a DOE mission activity not related to the DOE Environmental Management program.[v]

I.C. Policy

I.C.1 General Policy

DOE lease arrangements that are material to DOE financial reporting (see section I.C.2 of this policy) must comply with guidance outlined in SFFAS 54, *Leases*, as amended by SFFAS 60 *Omnibus Amendments 2021: Leases-Related Topics* and SFFAS 61 *Omnibus Amendments 2023: Lease Related Topics II*, as implemented under FASAB's Technical Release 20, *Implementation Guidance for Leases*, Technical Release 21, *Omnibus Technical*

Release Amendments 2022: Conforming Amendments, Technical Release 22, *Leases Implementation Guidance*, Technical Release 23, *Omnibus Technical Release Amendments 2024: Conforming Amendments*, and the policy direction in this chapter.

See section I.C.4 for more information regarding the determination of a lease term.

Assets and associated liabilities are not recognized for short-term leases (leases with a term of 24 months or less); short-term lease payments are recognized as an expense in the current period. See sections II.A and II.B of this policy.

DOE will recognize lease assets and liabilities that meet the Right to Use (RTU) Lease capitalization threshold (those with a lease term exceeding 24 months and a present value of $5 million or greater). The $5M capitalization threshold applies only to RTU leases and does not apply to short term leases, ownership transfers or intragovernmental leases. See section II.C of this policy.

Section IV of this policy contains detailed definitions of key terms, including definitions for lease, short-term lease, and RTU lease.

I.C.2. Right to Use (RTU) Leases Greater than 24 Months

I.C.2.i. Right to Use (RTU) Leases—when DOE is the Lessee

Assets and lease liabilities are not recorded for RTU leases when DOE is the lessee (entity acquiring use of leased assets), and the present value is less than $5,000,000.

Lower materiality thresholds for RTU leases may apply to the Power Marketing Administrations, the Federal Energy Regulatory Commission (FERC), and the Nuclear Waste Fund as appropriate for required separate financial reporting.

I.C.2.ii. Right to Use (RTU) Leases—when DOE is the Lessor

The CFO Office of Finance and Accounting will request annual information on leases for which DOE is the lessor (the entity providing use of leased assets) at the end of the third and fourth quarter. If material, CFO Office of Finance and Accounting may direct affected parties to record those arrangements as RTU leases consistent with the accounting guidance contained in SFFAS 54, *Leases*. Materiality may be assessed according to the dollar value of the individual lease transactions and the aggregate impact on DOE financial reporting.

I.C.2.iii. Other Assets

Separate capitalization thresholds apply to non-leased property, plant, and equipment (PP&E) and internal use software, as specified in DOE Financial Management Handbook Chapter 10.1, *Accounting for Property, Plant, and Equipment*.

I.C.3. Leases Supporting DOE's Legacy Waste Mission

Leases that support the DOE legacy waste mission and are associated with a recorded environmental liability are not accounted for as RTU leases.

This is consistent with the DOE's general policy on not capitalizing assets with a primary purpose (greater than 50 percent) of supporting the DOE legacy waste mission. Likewise, separate liability should not be established for leases that are executed in support of DOE's legacy waste mission. Expenditures for assets supporting the DOE legacy waste mission are reflected as a reduction of the Department's environmental liability account.

Assets and liabilities are not recorded for Intragovernmental leases. Thus, intragovernmental leases supporting the DOE legacy waste mission are recorded in accordance with section II.D of this policy.

I.C.4. Lease Term

DOE will follow the guidance in SFFAS 54, *Leases,* paragraphs 14-21, in determining the lease term. Generally, the lease term includes the noncancellable period plus options to extend the lease term that are probable to be executed. For purposes of this policy, probable is defined as being more than 50 percent likely. The noncancellable period is defined as the shorter of the period that precedes any option to extend the lease or the period that precedes the first option to terminate the lease (SFFAS 54, *Leases,* paragraph 14). An availability of funds cancellation clause that is not probable to be executed does not affect the lease term determination (SFFAS 54, *Leases,* paragraph 19(c)).

A lease term does not commence until the conditions specified in SFFAS 54, Leases, paragraphs 14-21 are fulfilled, regardless of whether the lease premiums are received or paid in advance (see section II.C.2.i) or the leased asset is purchased or constructed.

II. SUMMARY REQUIREMENTS

II.A. Short-Term Leases—DOE as Lessee

II.A.1. Short-Term Lease Payments (DOE as Lessee)

Short-term lease payments are recognized as an expense based on the payment provisions of the contract or agreement and

standards regarding recognition of accounts payable and other related amounts.

II.A.2. Advance Payments (DOE as Lessee)

Payments made in advance of the reporting period to which they relate should be recognized as a prepayment asset (see DOE Financial Management Handbook Chapter 7, *Advances, Prepaid Expenses, and Other Assets*).

II.A.3. Accruals of Payments Due (DOE as Lessee)

Payments due but unpaid at the end of the reporting period to which they relate should be accrued as a liability (see DOE Financial Management Handbook Chapter 11, *Liabilities*).

II.A.4. Lease Incentives and Concessions (DOE as Lessee)

Rental increases, rental decreases, lease incentives, and lease concessions should be recognized when incurred as increases/reductions to lease rental expense. (SFFAS 60 *Omnibus Amendments 2021: Leases-Related Topics*, paragraph 9).

II.B. Short-Term Leases—DOE as Lessor

II.B.1. Short-Term Lease Receipts (DOE as Lessor)

Receipts from short-term leases are recognized as revenue based on the payment provisions of the contract or agreement and standards regarding recognition of accounts receivable and other related amounts. (SFFAS 54, *Leases,* paragraph 24)

II.B.2. Lessor Receipts Paid in Advance (DOE as Lessor)

DOE should recognize a liability if payments are received in advance of the reporting period to which they relate. (SFFAS 54, *Leases,* paragraph 24)

II.B.3. Lessor Receipts Due (DOE as Lessor)

DOE should recognize an asset for rent due to be received subsequent to the reporting period to which they relate. (SFFAS 54, *Leases,* paragraph 24)

II.B.4. Lease Incentives and Concessions (DOE as Lessor)

Rental increases, rental decreases, lease incentives, and lease concessions should be recognized when incurred as increases/reductions to lease rental income. (SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics,* paragraph 10).

II.B.5. RTU Lease Assets Below the Capitalization Threshold

For those leased assets that qualify as RTU but are below the capitalization threshold (see I.C.2.i. of this policy), these items will

be expensed without liability and should follow short-term lease accounting guidance.

II.C. Right to Use (RTU) Leases—DOE as Lessee

II.C.1. Lease Liability

II.C.1.i. Initial Lease Liability

A lessee initially should measure the lease liability as the present value of payments expected to be made during the lease term. Future required payments meeting the criteria specified in SFFAS 54, *Leases,* paragraph 40 should be included in the calculation of the lease liability. These are:

a. Fixed payments.
b. Variable payments that depend on an index or a rate.
c. Variable payments that are fixed in substance.
d. Amounts that are probable of being required to be paid under residual value guarantees.
e. The exercise price of a purchase option (if probable the option will be exercised).
f. Payments for lease termination penalties (if probable to exercise).
g. Lease incentives receivable from the lessor; and
h. Other required payments to the lessor.

Additionally, direct lease costs necessary to place the asset in service (SFFAS 54, *Leases,* paragraph 49(b)) and payments made at the inception of the lease (SFFAS 54, *Leases,* paragraph 49(c)) should be included in the lease liability calculation. Future payments may be broken out or labeled separately in the lease agreement as executor costs, restoration costs, or other similar terms.

Potential future costs that do not meet the criteria specified in SFFAS 54, *Leases,* paragraph 40 are not included in the calculation of the lease liability. This would include the costs associated with short-term arrangements entered into after the expiration of a lease, which may be referred to as holdover costs. Arrangements entered into after the expiration of a lease would be accounted for as a separate short-term lease agreement (when the term is 24 months or less) (see section II.A.1).

The present value is determined by discounting the future lease payments. The interest rate used to discount future payments is either the interest rate stated in the lease agreement or the nominal interest rate on Treasury notes and bonds as noted in OMB Circular A-94, Appendix C,

Discount Rates for Cost-Effectiveness, Lease Purchase, and Related Analyses, (see SFFAS 61, *Omnibus Amendments 2023: Lease Related Topics II*, paragraph 10).

Follow the provisions of SFFAS 54, *Leases* (paragraphs 40-43), as amended by SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics,* and SFFAS 61, *Omnibus Amendments 2023: Lease Related Topics II,* paragraph 7, when calculating the initial lease liability.

II.C.1.ii. Remeasurement of Lease Liability

When substantive changes will significantly affect the amount of a lease liability, the lease liability must be remeasured on an annual basis. As defined by FASAB, substantive changes include a) change in lease term, b) likelihood of a residual value guarantee being required, c) likelihood of a purchase option being exercised, d) change in the estimated amounts for payments, e) change in the interest rate the lessor charges the lessee, and f) a contingency (SFFAS 54, *Leases*, paragraph 44).

Follow the provisions of SFFAS 54, *Leases* (paragraphs 44-48) when it is necessary to remeasure a lease liability.

II.C.2. Lease Asset

II.C.2.i. Initial Calculation

The initial lease asset must equal the initial lease liability (see section II.C.1.ii). When material, lease payments made to the lessor before the commencement of the lease term should be accounted for as a prepaid expense (see DOE Financial Management Handbook Chapter 7, *Advances, Prepaid Expenses, and Other Assets,* for current materiality threshold for prepaid expenses). A prepayment received or an advance paid on a lease agreement, by itself, does not result in a modification[vi] to the original terms of a lease arrangement.

Follow the provisions of SFFAS 54, *Leases* (paragraphs 49-53) when calculating the lease asset value.

II.C.2.ii. Amortization

Lease assets should be amortized over the shorter of the lease term or the useful life of the underlying asset in accordance with Attachment 10-1 unless a shorter useful life is identified in the lease agreement. If the asset contains a purchase option that is likely to be exercised,

the amortization should occur over the useful life of the asset.

SFFAS 54, *Leases* requires amortization in a systematic and rational manner. Straight line amortization will generally meet the requirements for a systematic and rational approach.

II.C.2.iii. Changes

The lease asset should be adjusted by the same amount when the lease liability is remeasured (see section II.C.1.ii).

Impairments to the asset should be recognized separately when there is no corresponding reduction in the lease liability. See SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use,* paragraph 12, and SFFAS 54, *Leases,* paragraph 53 (as amended by SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics,* paragraph 21).

II.D. Intragovernmental Leases

II.D.1. Treatment of Lessee Payments

For intragovernmental lease arrangements in which DOE leases assets from another federal entity (usually GSA), lease payments to the lessor are recognized as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts.

Components of the lease payment or lease expenses (e.g. utility, tax, or maintenance amounts) are recognized as part of the intragovernmental lease expense when the payments are required by the lease agreement. DOE does not separately disclose these component expenses.[vii]

Prepaid rent or a rent payable that relate to an intragovernmental lease should be treated consistently with general prepayments or payables. Thus, prepaid rent or rent payable are recognized as an asset or liability, respectively, and an expense should be recognized in the appropriate reporting period based on the specifics of the lease provisions (SFFAS 54, *Leases*, paragraph 27). See Chapter 7 of the DOE Financial Management Handbook for guidance on accounting for prepayments.

II.D.2. Treatment of Lessor Payments

When DOE acts as a lessor to another federal entity, DOE should recognize lease receipts received from the lessee as income based on the provisions of the contract or agreement and standards

regarding recognition of account receivable and other related amounts.

Rent paid in advance, or a receivable should be recognized as a liability or asset, respectively, and income should be recognized in the appropriate reporting period based on the specifics of the lease provisions (SFFAS 54, *Leases*, paragraph 28).

II.D.3. Leasehold Improvements

Accounting for leasehold improvements is addressed in section III.E of DOE Financial Management Handbook Chapter 10.1, *Accounting for Property, Plant and Equipment*.

II.E. Contracts or Agreements with Multiple Components

II.E.1. Embedded Leases

Contracts or agreements may contain multiple components including embedded provisions that provide DOE with the right to use assets.

Generally, the lease component and non-lease component should be accounted for as separate contracts or agreements. Follow the provisions of SFFAS 54, *Leases*, including paragraphs 74-77, to separate the reportable lease component for embedded RTU leases that are material (see section I.C.2).

For embedded leases, the lease cost may need to be estimated even when it is not separately stated in the contract or agreement.

II.E.2. Identifying Embedded Leases

A good source of information to identify embedded leases is in invoices (specifically the note sections of an invoice or purchase order). Examples of agreements that may contain embedded leases are:

- Information technology contracts (e.g., servers)
- Transportation and delivery services (e.g., railcars)
- Contract manufacturing arrangements (e.g., dedicated tooling)
- Complex service contracts (e.g., specified equipment)
- Cable and satellite services (e.g., set-top boxes)
- Advertising (e.g., billboards)
- Joint-operating agreements (e.g., drilling rigs)
- Power purchase arrangements (e.g., power plants)

II.E.3. Lease Agreements with Related Service Costs

Payments included in the lease liability are those required to obtain the RTU of the leased asset. If the lease agreement also contains separate provisions for related services—which may include

janitorial and custodial services—the service costs represent a non-lease component of the contract or agreement. Service costs separately stated in the lease agreement should be treated as operating expenses and should not be included in the calculation of the lease liability.

If the lease agreement includes provisions for the lessor to provide services related to the leased asset but does not separately specify service costs, then the total payments defined by the lease agreement are required to obtain the RTU of the asset and thus would be included in the lease liability.

II.F. Contracts or Agreements that Transfer Ownership

II.F.1 Identifying Ownership Transfer Contracts or Agreements

Ownership transfers result from a contract or agreement that (a) transfers ownership of the underlying asset to DOE by the end of the contract and (b) does not contain options to terminate the agreement, or only contains availability of funds clauses that are not likely to be executed. For this purpose, options to purchase the underlying asset prior to the transfer of ownership are not considered options to terminate.

Determining whether a contract or agreement represents an ownership transfer or a right to use lease typically requires a review of the terms and conditions of the specific contract or agreement.

The table below provides guidance for assessing whether a contract results in an ownership transfer or a RTU lease.

Contract Description	Ownership Transfer	RTU Lease
Provides right to use asset Does not provide transfer of ownership. A purchase option only does not indicate a transfer of ownership.	No	Yes
Provides for the transfer of ownership Contains options to terminate the agreement	No	Yes
Transfers ownership Does NOT contain options to terminate, or only availability of funds cancellation provisions that	Yes	No

are unlikely to be exercised (SFFAS 61 paragraph 5)		
Transfers ownership at the end of the contract term Contains options to transfer ownership prior to the end of the contract term (SFFAS 61 paragraph 5)	Yes	No

See SFFAS 61, Omnibus Amendments 2023: Leases-Related Topics II, paragraph 5 for general guidance and FASAB Technical Release 20, paragraphs 37-40 for specific example scenarios.

II.F.2. Accounting for Ownership Transfer Contracts or Agreements

Contracts or agreements that provide for transfer of ownership are recorded as financed asset purchases.

The underlying asset is recorded as PP&E when the asset is placed in service. The cost of general PP&E acquired through a contract or agreement that transfers ownership shall be equal to the amount that would otherwise be recognized as a leased asset at the commencement of the lease term (paragraph 26A or SFFAS 6). See II.C.2 of this chapter regarding the calculation of the asset cost. The recognition of PP&E acquired through a financed asset purchase is also discussed in II.I of Chapter 10.1 of the DOE Financial Management Handbook.

The initial liability under an ownership transfer is equal to the amount that would otherwise be recognized as a lease liability at the commencement of the lease term (paragraph 43A of SFFAS 5). See II.C.1 of this chapter regarding the calculation of the initial liability.

II.G. Special Topics

II.G.1. Subleases

A sublease occurs when DOE leases an asset to a third party, acquired through a lease agreement. A sublease does not change DOE's lessee accounting for the leased asset. DOE would record a sublease if DOE were the lessor, and the arrangement is material to DOE financial reporting. (SFFAS 54, *Leases*, paragraphs 87 and 88).

Subleases where DOE is the lessor should be reported to the CFO Office of Finance and Accounting annually (see section I.C.2.ii.).

II.G.2. Public Private Partnerships

Public-Private Partnerships (P3s), such as Energy Savings Performance Contracts (ESPCs), may be considered a lease under FASAB standards when the arrangement does not transfer ownership of the asset.

If a contract or arrangement is found to meet the criteria of both a lease and a P3, the arrangement may be disclosed as a P3 and a lease in DOE financial reporting disclosures. Consistent with SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, paragraph 23, if a lease arrangement or transaction met the SFFAS 54, *Leases,* and SFFAS 49 reporting requirements, both disclosures should be cross referenced so that concise, meaningful, and transparent information is provided and information is not repetitive.

II.G.3. Sale-Leaseback Transactions

Sale-leaseback transactions involve the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). A sale-leaseback should include a transaction that qualifies as a sale to be eligible for sale-leaseback accounting.

The sale and lease portions of a sale-leaseback transaction should be accounted for as two separate transactions—a sale transaction and a lease transaction. Follow the provisions of SFFAS 54, *Leases,* paragraphs 89-92 for any sale-leaseback transactions.

II.G.4. Lease-Leaseback Transactions

In a lease-leaseback transaction, an asset is leased by one party (first party) to another party and then leased back to the first party. Follow the provisions of SFFAS 54, *Leases,* paragraph 93 for any lease-leaseback transactions.

III. IMPLEMENTATION GUIDELINES

III.A. Prospective Implementation of SFFAS 54

DOE must assess its lease portfolio using the facts and circumstances that exist at the beginning of the reporting period for implementation, October 1, 2023. Departmental elements must measure each leased asset and associated liability based on the remainder of the lease term and outstanding payments as of October 1, 2023. DOE must account for any changes in the implementation period and any applicable future periods (FY 2024 and beyond) with no adjustments to previously reported revenue or expenses.

Any new lease arrangements beginning on or after October 1, 2023, will apply the lease accounting requirements in effect as of October 1, 2023, to the entire lease term.

III.B. Lease Incentives and Lease Concessions

III.B.1. Short-Term and Intragovernmental Leases

Upon implementation of SFFAS 54, *Leases,* on October 1, 2023, any remaining unamortized balances of lease incentives or lease concessions, per SFFAS 5, *Accounting for Liabilities of The Federal Government,* and SFFAS 6, *Accounting for Property, Plant, and Equipment,* should be reduced to zero as of September 30, 2023. This includes free rent periods and liabilities for rent abatements spread across the lease term.

In accordance with SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics, paragraph 14*, after October 1, 2023, lease incentives and lease concessions in short-term and intragovernmental leases will be recognized as increases or reductions to lease rental expense and income (Also, see SFFAS 54, *Leases*, paragraphs 23 & 24).

III.B.2. Other Than Short-term and Intragovernmental Leases

For leases other than short-term leases and intragovernmental leases, lease incentives and lease concessions that provide payments to, or on behalf of a lessee at or before the commencement of a lease term are included in initial lease measurement by directly reducing the amount of the lease asset (SFFAS 54, *Leases,* paragraph 49). Lease incentive and lease concession payments to be provided after the commencement of the lease term should be accounted for by lessees and lessors as reductions of lease payments for the periods in which the incentive or concession payments will be provided. Departmental elements should measure those payments consistently with the lessee' lease liability (SFFAS 54, *Leases*, paragraphs 40-48) and lessors' lease receivable (SFFAS 54, *Leases*, paragraphs 56-63).

III.C. Change in Accounting Practice Does Not Affect Budgetary Scoring Rules

Federal government-wide implementation of SFFAS 54, *Leases,* does not impact the strategies (including terminology) that DOE Departmental elements use to assess lease transactions for scoring under OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. OMB Circular A-11, *Preparation, Submission and Execution of the Budget,* provides separate definitions of operating and capital leases that are applicable for budget scoring purposes.

OMB Circular A-11, *Preparation, Submission and Execution of the Budget,* definitions are used to determine whether full budget authority must be provided in the current fiscal year for future lease payments (capital

leases), or whether budget authority is necessary for only the minimum lease term and cancellation costs (operating leases).

For guidance regarding the budgetary scoring of leases, refer to Appendix B of OMB Circular A-11, *Preparation, Submission and Execution of the Budget,* DOE Order 130.1A, *Budget Planning, Formulation, Execution, and Departmental Performance Management* (or successor policy), and any other current guidance issued by the CFO Office of Budget.

III.D. Leases Capitalized Under FASAB Standards in Effect Prior to October 1, 2023

All capital leases recorded as of October 1, 2023, will be removed during FY 2024. The CFO Office of Finance and Accounting will provide detailed guidance regarding the appropriate accounting entries to remove the capital lease. This change will represent a prior period adjustment resulting from a change in accounting principle.

If the remaining term of the capital leases is greater than 24 months and the lease is material (see section I.C.2), the remaining term will be accounted for as a RTU asset in accordance with SFFAS 54, *Leases,* and this policy.

If the remaining term is 24 months or less, the remaining term will be accounted for as a short-term lease.

IV. DEFINITIONS

IV.A. Embedded Leases

Contracts or agreements providing the right to use (RTU) assets that can be identified by being implicitly specified at the time that the asset is made available for use by DOE.[viii]

IV.B. Intragovernmental Lease

An intragovernmental lease is a contract or agreement occurring within a consolidation entity or between two or more federal government consolidation entities[ix] whereby one entity (lessor or provider) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee or customer) for a period of time as specified in the contract or agreement in exchange for consideration (SFFAS 54, *Leases,* paragraph 26).

IV.C. Lease

A lease is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. (SFFAS 54, *Leases,* paragraph 2).

A contract or agreement conveys the right to control the use of the underlying asset if the federal entity gives (or lessee receives) both 1) the right to obtain economic benefits or services and 2) the right to control the use of the underlying asset specified in the contract or agreement (SFFAS 54, *Leases,* paragraph 3).

Software licensing arrangements are generally excluded from the lease accounting requirements (SFFAS 54, *Leases*, paragraph 5b).

IV.D. Lease Concession

Rent discounts made by the lessor to entice the lessee to sign a lease. Lease concessions include rent holidays or free rent periods, reduced rents, or commission credits.

IV.E. Lease Incentive

Lessor payments made to or on behalf of the lessee to entice the lessee to sign a lease. Lease incentives may include up-front cash payments to the lessee (for example, moving costs, termination fees to lessee's prior lessor, or lessor's assumption of the lessee's lease obligation under a different lease with another lessor.

IV.F. Lease Term

A period agreed upon in a contract or agreement for leased property that should include the noncancellable portion as well as option periods if it is probable (greater than 50%) to be exercised.

IV.G. Lessee

The entity acquiring use of leased assets.

IV.H. Lessor

The entity providing use of leased assets.

IV.I. Right to Use (RTU) Lease

A contract or agreement whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. A RTU lease is a contract or agreement with a term exceeding 24 months and a present value of $5 million or greater.

IV.J. Short-term Lease

A short-term lease is a lease with a lease term (as defined in SFFAS 54, *Leases,* paragraphs 14 - 21) of 24 months or less which are non-intragovernmental (SFFAS 54, *Leases,* paragraph 22).

V. ACRONYMS

CFO Chief Financial Officer

DOE	Department of Energy
EM	Environmental Management
ESPCs	Energy Savings Performance Contracts
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
OMB	Office of Management and Budget
P3s	Public-Private Partnerships
PP&E	Property, Plant, and Equipment
RTU	Right to Use
SFFAS	Statement of Federal Financial Accounting Standards

VI. REFERENCES

SFFAS 5, *Accounting for Liabilities of The Federal Government*

SFFAS 6, *Accounting for Property, Plant, and Equipment*

SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*

SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*

SFFAS 54, *Leases*

SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics*

SFFAS 61, *Omnibus Amendments 2023: Lease Related Topics II*

Technical Bulletin 2023-1, *Intragovernmental Leasehold Reimbursable Work Agreements*

Technical Release 20, *Implementation Guidance for Leases*

Technical Release 21, *Omnibus Technical Release Amendments 2022: Conforming Amendments*

Technical Release 22, *Leases Implementation Guidance Updates*

OMB Circular A-11, *Preparation, Submission and Execution of the Budget*

OMB Circular A-94, Appendix C, *Discount Rates for Cost-Effectiveness, Lease Purchase, and Related Analyses*

DOE Order 130.1A, *Budget Planning, Formulation, Execution, and Departmental Performance Management*

DOE Financial Management Handbook Chapter 1, *Financial Management Handbook Overview*

DOE Financial Management Handbook Chapter 7, *Advances, Prepaid Expenses, and Other Assets*

DOE Financial Management Handbook Chapter 10.1, *Accounting for Property, Plant, and Equipment*

DOE Financial Management Handbook Chapter 11, *Liabilities*

DOE Lease Accounting Best Practices Guide

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[i] The DOE Lease Accounting Best Practices Guide is a living document that will continue to be revised as needed.
[ii] OMB Circular A-11, Appendix A, Paragraph 11, includes discussion on scoring purchases related to leases.
[iii] An integrated contract is a contract containing the clause at 48 CFR 970.5232-8, *Integrated Accounting.*
[iv] Site/Facility management contractors are designated by the DOE Office of Acquisition Management. The current list of site/facility management contractors is posted on the DOE website.
[v] Reflects DOE policy on accounting for Property, Plant, and Equipment. See Chapter 10.1 of the Financial Management Handbook.
[vi] DOE federal lease agreements or arrangements are considered government contracts. As stipulated in Federal Acquisition Regulation (FAR), 2.101, *Definitions*, contract modifications require written consent between contracting parties, in accordance with FAR 43.103, *Types of Contract Modifications.*
[vii] As permitted by the FY 2024 release of A-136.
[viii] DOE adopts this definition consistent with the definition in Accounting Standards Codification (ASC) 842, promulgated by the Financial Accounting Standards Board (FASB).
[ix] As defined in Statement of Federal Financial Accounting Standards (SFFAS) 47, Reporting Entity.

LIMITED CHANGE 1 TO CHAPTER 10.2, *LEASE ACCOUNTING*

1. EXPLANATION OF CHANGES**:** Limited changes made to:

   - Clarify the accounting treatment for recording multiple component leases with service and non-service components and ownership transfers.
   - Update the "Definitions" section with key terms to ensure alignment with the FASAB handbook and DOE Lease Accounting Best Practices Guide.

2. LOCATIONS OF CHANGES: Various sections throughout the document, as summarized in the chart.

Page(s)	Section	Section Title	Summary
10.2-9	II.E	Contracts or Agreements with Multiple Components	Removed "*Embedded Leases*" from section heading
10.2-9 to 10.2-10	II.E	Contracts or Agreements with Multiple Components	Added subsection headings: II.E.1 – Embedded Leases II.E.2 – Identifying Embedded Leases II.E.3 – Lease Agreements with Related Service Costs
10.2-9	II.E.1	Embedded Leases	Revised language to clarify definition of an embedded lease.
10.2-9 to 10.2-10	II.E.3	Lease Agreements with Related Service Costs	New Subsection
10.2-10	II.F	Ownership Transfers	Removed detailed guidance and referenced the relevant guidance in DOE Financial Management Handbook, Chapter 10.1, *Accounting for Property, Plant, & Equipment*.

Page(s)	Section	Section Title	Summary
10.2-13 to 10.2-14	IV	Definitions	Added definitions for: IV.D – Lease Concession IV.E – Lease Incentive IV.F – Lease Term Updated definitions for: IV.I – Right to Use (RTU) Lease IV.G – Short Term Lease
10.2-15	VI	References	Updated references section to include: Technical Release 21, Omnibus Technical Release Amendments 2022: Conforming Amendments Technical Release 22, Leases Implementation Guidance Updates

LIMITED CHANGE 2 TO CHAPTER 10.2, *LEASE ACCOUNTING*

Page(s)	Section	Section Title	Summary
10.2-3	I.C.1.	General Policy	Emphasis: The $5M capitalization threshold applies only to RTU leases and does not apply to short term leases, ownership transfers or intragovernmental leases.
10.2-4	I.C.3.	Leases Supporting DOE's Legacy Waste Mission	Clarified that content is relevant to leased assets supporting the DOE Legacy Waste Mission—which may be broader than EM leases.
10.2-4	I.C.4.	Lease Term	Clarified: For purposes of this policy, probable is defined as being more than 50 percent likely.
10.2-5	II.B.5	RTU Lease Assets Below Capitalization Threshold	Clarified: For those leased assets that qualify as RTU but are below the capitalization threshold (see I.C.2.i. of this policy), these items will be expensed without liability and should follow short-term lease accounting guidance.

Page(s)	Section	Section Title	Summary
10.2-8	II.D.1.	Treatment of Lease Payments	Clarified this is usually GSA: For intragovernmental lease arrangements in which DOE performs as a lessee to another federal entity (usually GSA), departmental elements should recognize lease payments paid to the lessor, as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts.
10.2-8	II.D.1.	Treatment of Lease Payments New paragraph	Clarification: Components of the lease payment or lease expenses (e.g. utility, tax, or maintenance amounts) are recognized as part of the intragovernmental lease expense when the payments are required by the lease agreement. DOE does not separately disclose these component expenses.
10.2-8	II.D.2.	Treatment of Lessor Payments	Clarification: When DOE acts as a lessor to another federal entity, DOE should recognize lease receipts received from the lessee as income based on the provisions of the contract or agreement and standards regarding recognition of account receivable and other related amounts.
10.2-10 to 10.2-11	II.F	Contracts or Agreements that Transfer Ownership	Provided more specific guidance for distinguishing between contracts providing for ownership transfer contracts and RTU leases.

LIMITED CHANGE 3 TO CHAPTER 10.2, *LEASE ACCOUNTING*

Page(s)	Section	Section Title	Summary
10.2-4	I.C.4	Lease Term	Added new paragraph at the end: *A lease term does not commence until the requirements of SFFAS 54, Leases, paragraphs 14-21 are met, regardless of whether the lease premiums are received or paid in advance (see section II.C.2.i) or the leased asset is purchased or constructed.*
10.2-7	II.C.2.i	Initial Calculation	Added a new sentence towards the end of the paragraph: *A prepayment received or an advance paid on a lease agreement, by itself, does not result in a modification to the original terms of a lease arrangement.*
10.2-17	Endnote VI	Not Applicable	Added a new endnote to reiterate a contract modification is necessary to alter the terms of a contract. An advance payment or prepayment of a lease obligation does not modify the original contract terms.

CHAPTER 11

LIABILITIES

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I. Introduction

I.A. Purpose

This chapter establishes the Department of Energy's (DOE) policies for identifying, recognizing, estimating, recording, and reporting on liabilities, consistent with the underlying requirements promulgated by the Federal Accounting Standards Advisory Board (FASAB).

The accounting treatment for liabilities derived from DOE's lease activities is addressed in DOE Financial Management Handbook (FMH), Chapter 10.2, *DOE Lease Accounting*.

I.B. Applicability

This chapter applies to all Departmental elements and DOE contractors as specified in FMH Chapter 1, *Financial Management Handbook Overview.*

II. Requirements

II.A. General Principles

II.A.1. General Purpose Federal Financial Reporting

A liability is defined in Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of The Federal Government*, as "a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government acknowledged events, or (4) non-exchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date."[i]

II.A.2. Probable and Estimable Liabilities

All probable and measurable liabilities, as defined by SFFAS 5, *Accounting for Liabilities of The Federal Government,* shall be measured and recorded at the most reasonable amount possible, given the circumstances under which the liability was created. "Measurability"[ii] means that an item has a relevant attribute that can be quantified in monetary units with sufficient reliability to be reasonably estimable.

II.A.3. Supporting Documentation for Liability Estimates

Departmental elements and integrated contractors must maintain documentation to support liability estimates that reconcile with the amounts recorded in DOE's financial system. This includes

documentation that substantiates any basis used to formulate cost estimates or strategies for line items and notes reported on DOE's financial statements.[iii] .

III.A.3.i Management and Operating Contractors

Contractors must maintain documentation that substantiates and reconciles with the financial information reported to DOE. Records substantiating DOE financial reporting must be retained consistent with General Records Schedule (GRS) 1.1. As required by GRS 1.1, records relating to DOE assets and liabilities must be retained until 2 years after the asset is disposed of or the liability is removed from DOE's financial statements. Supporting documentation must be available in a timely manner for DOE inspection and external audits.

Management and operating contractors have contractual responsibility to design and maintain systems of quality control that promote efficiency in operations[iv] while recording and managing departmental obligations.[v] A system of quality control includes producing information that is readily available for review and inspection,[vi] regardless of liability type or classification, including contractor pension costs.

III.A.3.ii Nonintegrated Contractors

Nonintegrated contractors performing activities relevant to DOE financial reporting must retain records relating to DOE assets and liabilities until 2 years after the asset is disposed of or the liability is removed from DOE's financial statements. This allows DOE to comply with the requirements of General Records Schedule (GRS) 1.1. Supporting documentation must be available in a timely manner for DOE inspection and external audits.

Designated Financial Officers (DFO) define specific financial reporting and accounting requirements applicable to nonintegrated contractors on a contract-by-contract basis and provide instruction on the tailored applicability of the Handbook as appropriate. (See section II.F of Chapter 4 of the Financial Management Handbook.)

II.A.4 Accounting Structure

Separate account categories shall be established for liabilities, as defined in the Department of Treasury (Treasury) Standard

General Ledger (SGL) Chart of Accounts, to facilitate their clear and full disclosure on the financial statements.

II.A.5. Intragovernmental Liabilities

The accounting records must differentiate between liabilities for intragovernmental (federal) and non-intragovernmental (non-federal) entities.

II.A.6. Accrual Accounting

Accounts shall be maintained on an accrual basis. Expenses and revenues shall be identified 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. Liabilities shall reflect an invoice or the accrual of costs for goods or services received, but payment has not been made. A balance should be maintained between the effort required to measure accrued costs precisely and the added value of such precision.

II.A.7. Deferred/Unearned Revenue

All financial transactions should be accounted for and recorded in the proper period. Deferred/unearned[vii] revenue represents advance payments from others to cover the cost of services, materials, or other assets that DOE will furnish in the future.

When receiving advances and prepayments for services not yet rendered, record a deferred/unearned revenue liability. The accounting records must distinguish between advances received from other intragovernmental (federal agencies) and advances received from non-federal entities.

Deferred/unearned revenue should be reclassified to earned revenue as work is completed or goods and services are provided. The associated liability accounts should be reduced as goods or services are rendered.

II.A.8. Contingent Liabilities—General Principles

Contingent liabilities are exchange transactions that may evolve into a DOE liability if future events, beyond the federal government's control, result in losses or impairments of assets or incurrence of liabilities[viii]. Liabilities that contain contingent amounts related to uncertainty in estimates, such as environmental liabilities, are not "contingent liabilities" and are not reported here. Contingent liabilities shall be recorded as incurred (and as an obligation) if the loss is probable and the amount can be reasonably estimated. Loss contingencies that have a reasonably possible chance of occurring or that cannot be estimated are only included as a footnote on the financial

statements if deemed material by the Office of Finance and Accounting.

Contingent liabilities are not recordable as obligations under 31 USC 1501, *Documentary evidence requirement for Government Obligations*. Further information regarding contingent liabilities is provided in Government Accountability Office's (GAO's) *Principles of Federal Appropriations Law* - Third Edition, Volume II, Chapter 7 *Obligation of Appropriations*[ix].

II.A.9. Unfunded Liabilities

Unfunded liabilities are not covered by budgetary resources. Unfunded liabilities include Pension/Postretirement Benefits (PRB), Environmental Liabilities, and Nuclear Waste Fund Deferred/Unearned Revenues.

II.A.10. Public-Private Partnerships (P3s)

SFFAS 49, *Public-Private Partnerships (P3s)*, which include Energy Savings Performance Contracts (ESPC) requires the disclosure of risk-sharing arrangements with expected lives greater than five years between public and private sector entities in the DOE Annual Agency Financial Report (AFR).

II.B. Significant DOE Practices

II.B.1. Accruals

II.B.1.i. Accruals for DOE Awards and Transactions

An accrued cost is an invoiced or un-invoiced, projected dollar value of the cost incurred (for goods and services received) on a financial instrument. Cost accrual estimates are typically posted in DOE's core accounting system (the Standard Accounting and Reporting System or STARS) in the month in which the goods and services were received and then reversed the following month in anticipation of receipt of the invoice and/or payment for goods and services received.

Automatic accruals should be reviewed and, if needed, manually adjusted to ensure that the accrued amount is accurate. For awards with an uncosted balance greater than $1 million, evidence for review of the automated accruals is required. Manual accrual adjustments may be recorded for awards with an uncosted balance under $1 million on a discretionary basis. Review and adjustments to automated accruals and the recording of manual accruals is performed using the Financial Accounting Support Tool (FAST).

Guidance describing DOE's financial and accounting organizational structure and its primary accounting system and related financial systems is provided in FMH Chapter 4 *DOE Accounting Structure, Organization, and Systems*. Requirements regarding accruals for DOE Financial Assistance Awards and Technology Investment Agreements are specified in section II.C.2 of FMH Chapter 14, *Financial Assistance and Technology Investment Agreements.*"

II.B.1.ii. Accruals for Integrated Contractor Awards and DOE Subcontracts

Integrated Contractors (ICs) maintain their own cost accrual procedures. Reporting to DOE is provided through monthly trial balance uploads to STARS (see section II.D of Chapter 4 of the DOE *Financial Management Handbook*).

II.B.1.iii. Federal Energy Regulatory Commission and Power Marketing Administrations Federal Energy Regulatory Commission (FERC) and Power Marketing Administrations (PMA) maintain their own cost accrual processes. See DOE FMH Chapter 4 sections II.F. and II.G.

II.B.2. Unfunded Liabilities Not Covered by Budgetary Resources

Liabilities are amounts the reporting entity owes to others for goods or services received, progress in contract performance, defaulted guarantees, funds held as deposits etc. No liability can be paid without an enacted appropriation. Liabilities covered by an enacted appropriation are funded liabilities. Unfunded liabilities are liabilities not covered by an appropriation where goods or services have been exchanged with the promise of future outlays.

DOE has established specific liability accounts to record unfunded liabilities. The use of these accounts is restricted to those liabilities specifically identified in the DOE SGL description.

II.B.3. Liabilities Covered by Budgetary Resources

Funded liabilities are liabilities for which there are budgetary resources available to obligate and pay for the liability. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year.[x] Available budgetary resources include:

- New budget authority.
- Unobligated balances of budgetary resources at the beginning

of the year or net transfers of prior year balances during the year.

- Spending authority from offsetting collections (credited to an appropriation or fund account).
- Recoveries of unexpired budget authority through downward adjustments of prior year obligations; and
- 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 Congress and without a contingency having to be met first.

II.B.4. Contingent Liabilities

II.B.4.i. Accrual and disclosure of contingent liabilities depends on the probability of occurrence. When a loss contingency exists, the likelihood that a future event or events will confirm the loss or impairment of an asset can range from probable to remote.

DOE records contingent liabilities as specified by Treasury guidance, summarized in the table below. (Treasury Financial Manual (TFM) Volume 1 Part 2 Chapter 4700 Section 4745.10)

Likelihood of Future outflow or other sacrifice of resources	Loss amount can be reasonably measured	Loss range can be reasonably measured	Loss amount or range cannot be reasonably measured
Probable: Future confirming event(s) are likely to occur.	Accrue the liability. Report on the Balance Sheet and Statement of Net Cost.	Accrue liability of best estimate or minimum amount in loss range if there is no best estimate, and disclosure of nature of contingency and range of estimated liability.	Disclose nature of contingency and include a statement that an estimate cannot be made.
Reasonably Possible: Possibility of future event(s) occurring is more than remote but less than probable.	Disclose nature of contingency and estimated amount.	Disclose nature of contingency and estimated loss range.	Disclose nature of contingency and include a statement that an estimate cannot be made.
Remote: Possibility of future event(s) occurring is slight.	No action is required.	No action is required.	No action is required.

II.B.4.ii. As part of the financial statement analysis and notes submission, Designated Financial Officers must provide the CFO Office of Finance and Accounting a listing of the events and legal cases recorded in DOE's contingent liability standard general ledger accounts annually as of June 30 and September 30. The listing must include the dollar amount for each event or legal case.

II.B.4.iii. Legal Counsel Response (Legal Representation Letter)

In accordance with SFFAS 5 and OMB Circular A-136 *Financial Reporting Requirements,* DOE prepares a Legal Counsel Response (also referred to as a Legal Representation Letter) to support the basis for reporting its contingent liabilities and note disclosures in the annual financial report.

The Legal Counsel Response is required when the range of potential loss is material. The materiality range is

determined by the auditor and by the CFO Office of Finance and Accounting consistent with sections 1002.19 to 1002.22 of the GAO/CIGIE Financial Audit Manual (GAO-22-105895).

The Legal Counsel Response should include all components of the DOE reporting entity, including the Power Marketing Administrations and FERC. DOE GC coordinates with field counsel, counsel for the Power Marketing Administrations, and counsel for FERC as needed in preparing the Legal Counsel Response. Specific requirements for the Legal Counsel Response are specified in section 1001.16 of the GAO/CIGIE Financial Audit Manual (GAO-22-105895).

II.B.5. Federal Employee Retirement Benefits

DOE does not report Civil Service Retirement System or Federal Employees Retirement System assets, accumulated plan benefits, or unfunded liabilities (if any) applicable to its federal employees. The Office of Personnel Management (OPM), which administers the plans, is responsible for and reports these liabilities.[xi]

The Department does report, as an imputed financing source and a program expense, the difference between its contributions to federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM. The Power Marketing Administrations make additional annual contributions to Treasury to ensure that all PRB programs provided to their employees are fully funded and properly expensed.[xii]

II.B.6. Environmental Liabilities

Environmental liabilities shall be recorded if the loss is probable, and the amount can be reasonably estimated. DOE will recognize Environmental Liabilities in accordance with SFFAS 5 and SFFAS 6 *Accounting for Property, Plant, and Equipment*, Interpretation of Federal Financial Accounting Standards 9 *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities*, Technical Bulletin (TB) 2011-2, Technical Releases (TR) 2, 10 and 11.

II.B.7. DOE Liability for Contractor Defined Benefit Pension Plans

Many DOE site/facility management 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. DOE's allowable costs under these contracts include reimbursement of contractor contributions to

these pension plans and the costs associated with managing the plans and their assets.

Because of DOE's contractual obligations, DOE records the contractors' total liabilities for pensions plans as a DOE liability.

II.B.8. DOE Liability for Contractor Postretirement Benefits

Many DOE site/facility management contractors provide PRB plans other than pensions, including medical, dental, life insurance, and Medicare Part B premium reimbursement. The cost of these benefits represents allowable costs under the terms of DOE's contracts and thus are reimbursed by DOE.

Because of DOE's contractual obligation to pay the costs of contractor PRBs, DOE records the contractors' liabilities for PRB plans as a DOE liability. DOE accrues a liability for future contractor PRBs during the years that the contractor employees render service.

II.B.9. Applicable Accounting Standards for Private Sector Pensions and Postretirement Benefits

There is no federal accounting standard relevant to accounting for private sector pension plans and PRBs. DOE follows applicable sections of Financial Accounting Standards Board Accounting Standards Codification 715*, Compensation – Retirement Benefits*, for contractor pension plans and PRBs when the structure of the DOE contract creates DOE liability.

II.B.10. Energy Savings Performance Contracts

DOE discloses its P3 arrangements related to ESPCs and Utility Energy Service Contracts (UESC) in the footnotes of the financial statements[xiii].

II.B.11. 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.[xiv]

III. Significant Liabilities Reported by DOE

III.A. Environmental Liabilities

DOE accounts for three major categories of environmental liabilities:

III.A.1. Office of Environmental Management

Most of DOE's environmental liabilities are managed by the Environmental Management (EM) program which addresses the legacy of contamination from the nuclear weapons complex and includes managing thousands of contaminated facilities formerly used in the nuclear weapons program, overseeing the safe management of large quantities of radioactive waste and nuclear materials, and cleanup of large volumes of contaminated soil and groundwater.

III.A.2. Active Facilities

The active facilities portion of the environmental liability includes anticipated remediation costs for active and surplus facilities managed by DOE's ongoing program operations which will ultimately require stabilization, deactivation, and decommissioning.

III.A.3. Other Legacy Environmental Liabilities

Other legacy liabilities are divided between environmental liabilities for active sites, including estimated cleanup; the Office of Legacy Management functions for post-closure responsibilities, including surveillance and monitoring activities; soil and groundwater remediation; and disposition of excess material from sites after the EM program activities have been completed.

Long term stewardship environmental liabilities are estimated for the period from the year after the end of the Office of Environmental Management mission to 75 years from the current year. Exceptions may apply when required by regulation or when activities past the 75 year period are known.

Other legacy liabilities include the cost of disposing of weapon-grade plutonium in accordance with the Plutonium Management and Disposition Agreement (PMDA) between the United States and Russia, and DOE's share of the estimated future costs of disposing of its inventory of high-level waste and spent nuclear fuel. DOE is also responsible for managing surplus plutonium and non-Legacy Management Other Restructured Environmental Liabilities (REL).

III.B. Environment, Safety and Health

The DOE's ES&H liability represents costs to bring facilities and operations into compliance with existing federal, state and local ES&H laws and regulations including the Atomic Energy Act; Occupational Safety and Health Act; Clean Air Act; and the Safe Drinking Water Act; and applicable DOE Orders.

These liabilities shall be recorded if the loss is probable, and the amount can be reasonably estimated. Offices are to use the most current documentation that describes the actions necessary to achieve compliance with applicable nuclear safety, worker safety, emergency preparedness, and environmental protection requirements, or equivalent planning documents as the basis for estimating ES&H liabilities.

The ES&H activities within the purview of the EM program are included in the EM environmental liability estimate.

III.C. Accounts Payable

DOE's financial statements include accounts payable of all Departmental elements and contractors. As defined by SFFAS 1, *Accounting for Selected Assets and Liabilities,* accounts payable are amounts owed by a federal entity for goods and services received, progress in contract performance made by, and rents due to other entities.

III.D. Interest Payable

Interest payable represents liabilities for interest expense incurred and unpaid. These expenses typically arise from interest due on long-term debts, lease obligations, and late payments. The accounting records must distinguish between interest payable to non-federal entities and interest payable to other federal agencies.

III.E. Payroll Liabilities

III.E.1. Accrued Federal Payroll and Benefits

DOE accrues the unpaid wages and benefits that federal employees have earned at the close of each accounting period.

Performance awards are accrued when earned—that is when federal employee ratings are given.

III.E.2. Accrued Federal Leave

DOE accrues an estimated liability for earned, but unpaid annual leave. Accrued annual leave represents an unfunded liability. Sick leave and other types of non-vested leave are expensed as taken; therefore, DOE does not accrue a liability.

In lieu of payment for irregular or occasional overtime work, upon request, DOE may grant a federal employee compensatory time off from their scheduled tour of duty[xv] [xvi].

III.E.2.i. Severance Pay

DOE records an accrual for employees who are entitled to receive severance pay in regular pay intervals[xvii]. An accrual for severance payments is

recorded in the fiscal year in which DOE intends to disburse the severance payment. Severance payments authorized in the current fiscal year but paid in a future fiscal year, are considered an unfunded liability in the current fiscal year.

III.E.2.ii Voluntary Separation Incentive Program (VSIP)

Under DOE's VSIP program, eligible participants may receive separation pay in a lump sum or in installments that are outside of any other type of government benefit[xviii]. An accrual for VSIP payments is recorded in the fiscal year under which DOE intends to remit payment to the program participant. VSIP payments authorized in the current fiscal year but paid in a future year are record as an unfunded liability in the current fiscal year.

III.E.3. Accrued Contractor Leave (Paid Time Off)

DOE accrues Paid Time Off (PTO) for contractor employees if a contractual requirement exists for employees to be paid for unused leave. Unlike annual leave for federal employees, this is a funded liability rather than an unfunded liability.

III.E.4. DOE and Contractor Payroll Withholding for State and Local Taxes

DOE accrues a liability for state and local taxes that have been withheld from employees but not paid to the state or locality.

III.F. Deferred/Unearned Revenues

III.F.1. Nuclear Waste Fund

The Nuclear Waste Policy Act of 1982 (NWPA) established the federal government's responsibility to provide for permanent disposal of the nation's high-level radioactive waste and spent nuclear fuel. NWPA requires all owners and generators of high-level nuclear waste and spent nuclear fuel, including DOE, to pay their respective shares of the full cost of disposal.

DOE's liability for disposal reflects its share of the estimated future costs of the disposal of its inventory of high-level waste and spent nuclear fuel. DOE's liability does not include the portion of the cost attributable to commercial owners and generators.

Nuclear Waste Fund revenues are accrued based on charges assessed against owners and generators of high-level

radioactive waste and spent nuclear fuel, and interest earned on principal invested in Treasury securities.

Nuclear Waste Fund revenues are recognized as a financing source when DOE incurs expenses for authorized Nuclear Waste Fund activities.

Revenues that exceed the Nuclear Waste Fund expenses are deferred.

III.F.2. Reimbursable Work Advances

Advances from reimbursable work customers shall be recorded as deferred/unearned revenue. Costs incurred in the performance of work shall be accumulated and charged against the reimbursable work advance received.

For additional guidance regarding advances for reimbursable work, see FMH Chapter 13.1, *Reimbursable Work, and Interagency Agreements*.

III.G. Federal Employees' Compensation Act Liability

The Federal Employees' Compensation Act actuarial liability represents the liability for future workers' compensation benefits, which includes the expected liability for disability, survivors, and medical benefits, to employees who are injured, or become ill, during federal employment and to the survivors of employees killed on the job. This liability is calculated annually by the Department of Labor for financial reporting purposes.

III.H. Loan Guarantee Liabilities

For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. DOE discloses the face value of its outstanding guaranteed loans and the amount guaranteed.

For additional guidance regarding loan guarantees, see FMH Chapter 22, *Direct Loans and Loan Guarantees*.

III.I. 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 the actual inclusion of an amount in a liability account, if the potential amount due or a loss can be estimated. The Office of Finance and Accounting will make a final determination on other liabilities deemed material for note disclosure on the annual financial statements.

IV. References

- 31 USC 1501, *Documentary evidence requirement for Government Obligations*
- FASAB SFFAS 1 *Accounting for Selected Assets and Liabilities*
- FASAB SFFAS 5 *Accounting for Liabilities of The Federal Government*
- FASAB SFFAS 6 *Accounting for Property, Plant, and Equipment*
- FASAB SFFAS 33 *Pensions, Other Retirement Benefits, and other postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*
- FASAB SFFAS 49 *Public-Private Partnerships: Disclosure Requirements*
- FASAB Interpretation of Federal Financial Accounting Standards 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*
- FASAB TB 2011-2 *Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs)*
- FASAB TR 2 *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*
- FASAB TR 10 *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- FASAB TR 11 *Implementation Guidance on Cleanup Costs Associated with Equipment*
- OMB Circular A-136, *Financial Reporting Requirements*
- Governmental Accountability Office, *Principles of Federal Appropriations Law* (Red Book) - Third Edition, Volume II, Chapter 7 *Obligation of Appropriations*.
- TFM Volume 1 Part 2 Chapter 4700, *Federal Entity Reporting Requirements for the Financial Report of the United States Government*
- TFM Volume 1 Part 2 Chapter 4700 Section 4745.10, *Legal Representation Letter*
- TFM Volume 1 Part 2 Chapter 5100 Section 5135A, *Continuing Use of Suspense Accounts F3875 and F3885 for Reporting Suspense Account Activity*
- DOE FMH Chapter 1 *Financial Management Handbook Overview*
- DOE FMH Chapter 10.2 *DOE Lease Accounting*
- DOE FMH Chapter 13.1 *Reimbursable Work and Interagency Agreements*
- DOE FMH Chapter 14 *Financial Assistance and Technology Investment Agreements*
- DOE FMH Chapter 22 *Direct Loans and Loan Guarantees*

V. Acronyms

- AFR Agency Financial Report
- CFO Chief Financial Officer
- DOE Department of Energy
- EM Environmental Management
- ES&H Environment, Safety and Health
- ESPC Energy Savings Performance Contract
- FASAB Federal Accounting Standards Advisory Board
- FAST Financial Accounting Support Tool
- FERC Federal Energy Regulatory Commission
- FMH Financial Management Handbook
- GAO Government Accountability Office
- IC Integrated Contractor
- NWPA Nuclear Waste Policy Act
- OGC Office of General Counsel
- OPM Office of Personnel Management
- P3's Public Private Partnerships
- PMA Power Marketing Administration
- PMDA Plutonium Management and Disposition Agreement
- PRB Postretirement Benefits
- PTO Paid Time Off
- REL Restructured Environmental Liabilities
- SFFAS Statements of Federal Financial Accounting Standards
- SGL Standard General Ledger
- STARS Standard Accounting and Reporting System
- TB Technical Bulletin
- TFM Treasury Financial Manual
- TR Technical Release
- UESC Utility Energy Service Contracts
- USC United States Code

[i] SFFAS 5, paragraph 19
[ii] SFFAS 5, paragraph 34
[iii] 48 CFR 970-5203-1(a)(1) *Management Controls*, the contractor shall be responsible for maintaining effective systems of management controls that comprise of the plan or organization, methods, and procedures adopted by management to reasonably ensure DOE's resources are safeguarded against waste, loss, mismanagement, authorized used or misappropriation.
[iv] 48 CFR 970.0370-1(b)(5), the contractor must maintain management control systems that promote efficient and effective operations.
[v] 48 CFR 970.0370-1(a) *Policy*, management and operating contractors shall develop and maintain systems of management and quality control to discourage waste, fraud and abuse; and to ensure that components, products, and services that are provided to DOE satisfy the contractor's obligations under the contract.
[vi] 48 CFR 970.5232-3(b) *Inspection and audit of accounts and records*, all books of account and records related to the management and organization contract shall be subject to inspection and audit by DOE or its designees at all reasonable times, before and during the period of retention, as agreed by the federal government and the contractor.
[vii] Per SFFAS 7, FASAB uses the term "unearned revenue" to refer to the receipt of advances and prepayments instead of "deferred revenue". Deferred Revenue is only used to refer to "forfeited properties." OMB Circular A-136 *Financial Reporting Requirements* (dated May 2023) still uses the term "deferred revenue"; therefore, this chapter references both terms since they are currently synonymous. When OMB Circular A-136 is updated to coincide with FASAB's definition then "deferred revenue" will be removed from this chapter.
[viii] Appendix E of the FASAB Handbook (Version 22) defines a contingency as: An existing condition, situation, or set of circumstances involving uncertainty as to the possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.
[ix] GAO's *Principles of Federal Appropriations Law* is more widely known as "The Red Book."
[x] SFFAS 5, footnote 1
[xi] Per SFFAS 33, footnote 7, The terms "employer entity" and "administrative entity" are used in SFFAS 5 to distinguish between entities that employ federal workers and thereby incur the employee costs, including pension cost, and those that are responsible for managing and/or accounting for the pension or the other employee plan. For example, entities that receive "salaries and expense" appropriations are employer entities, while the OPM is an administrative entity because it administers the civilian retirement benefit plans. See especially SFFAS 5, pars. 71-2 and 88. An entity may be both an employer entity and an administrative entity, for example, when it, rather than OPM, administers a pension plan for its employees. In such instances, that entity would be responsible for reporting gains and losses from changes in assumptions if the conditions in paragraph 19-20 are satisfied.
[xii] As documented, e.g., in the FY 2023 AFR Note 1 Section O.
[xiii] There is some discussion on liabilities related to P3 arrangements at SFFAS 49, paragraphs 6, 20-21, & 23.
[xiv] DOE's use of Treasury suspense accounts 089F3885 and 089F3875 must be consistent with TFM Part 2 Chapter 5100 Section 5135.
[xv] 5 USC 5543, Compensatory time off
[xvi] Compensatory time is granted in place of overtime to an eligible DOE employee. If the compensatory time is not used within 26 pay periods, the accrued compensatory time is paid out by DOE on the 27th pay period. When an employee separates from DOE, any remaining compensatory time is paid out. Credit hours earned by a DOE employee never expire and will be paid out when the employee separate. Travel compensatory time is forfeited after 26 pay periods and is not paid out upon the employee's separation from DOE.
[xvii] Under 5 USC 5595(b), an employee is eligible to receive severance pay if the employee has been employed with DOE for, at minimum 12 months and is involuntarily separated from the service, not by removal for cause on charges of misconduct, delinquency, or inefficiency.
[xviii] Under 5 USC 5597 (b), the Secretary of Energy shall establish a program under which separation pay may be offered to encourage eligible employees to separate from service voluntarily (by retirement or resignation), to avoid or minimize the need for involuntary separations due to a reduction in force, base closure, reorganization, transfer of function, workforce restructuring or similar action impacting a defense agency.

Subject: LIMITED CHANGE 1 TO CHAPTER 11, LIABILITIES

1. **EXPLANATION OF CHANGES:** Specific sections were reorganized for better flow and continuity of information. Other updates were made to clarify requirements for contractors to maintain documentation that supports DOE financial reporting and accounting for deferred revenues.

2. **LOCATION OF CHANGES:** Limited changes made throughout out the document are summarized in the following chart.

Page #	Section	Action
11-2	II.A.1	Relocated from Section II.A.5, Paragraph 1 (May 2024 version) and renamed, *"General Purpose Federal Financial Reporting*".
11-2	II.A.2	Relocated from Section II.A.5, Paragraph 2 (May 2024 version) and renamed, "*Probable and Estimable Liabilities*".
11-2	II.A.3	New section added titled, "*Supporting Documentation for Liability Estimates* to reiterate contractual responsibilities for M&O and non-M &O contactors to support internal control activities related to DOE's financial statement audit.
11-3	II.A.3.i	New section added titled, "*Management & Operating Contractors*".
11-3 to 11-4	II.A.3.ii	New section added titled, "Nonintegrated Contractors".
11-4	II.A.4	*Accounting Structure* was relocated from Section II.A.1 (May 2024 version). All subsequent sections were adjusted (moved down) to accommodate the revised text placed at Section II.A.1 to Section II.A.3.
11-4	II.A.7	*Deferred / Unearned Revenue*, clarified requirement to record revenue when earned or constructively received, in the proper period.
11-12	III.E.2	*Accrued Federal Leave - included* additional language covering compensatory time off.
11-12	III.E.2.i	Added a new section titled "*Severance Pay*"
11-13	III.E.2.ii	Added a new section titled "*Voluntary Separation Incentive Program*"

CHAPTER 12

DOE INTERNAL REIMBURSABLE TRANSACTIONS

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I. INTRODUCTION

I.A. Purpose

The chapter provides the requirements for DOE internal reimbursable transactions.

I.B. Scope

This chapter describes the requirements for reimbursable transactions between DOE contractors, contractor reimbursements to DOE Federal entities, and reimbursable transactions between DOE Federal entities, including the Power Marketing Administrations (PMAs) and the Federal Energy Regulatory Commission (FERC).

I.C. Authorities

Relevant financial authorities are cited in the chapter. The DOE Office of Acquisition Management has reviewed this chapter and determined that the guidance in this chapter is consistent with underlying procurement requirements and regulations.

I.D. Applicability

The chapter applies to Departmental elements, including the National Nuclear Security Administration (NNSA) (DOE Federal entities), and DOE contractors performing work for each other.

I.E. Exclusions

Processes defined in this chapter for internal reimbursable transactions may not be used to obligate funds on a Management & Operating contractor by a DOE Federal office.

II. REIMBURSABLE WORK BETWEEN DOE CONTRACTORS

II.A. Inter-Contractor Work for Transactions between Integrated Contractors

II.A.1. Inter-Contractor Work (ICW) Definition

Inter-contractor work represents a transaction in which one DOE integrated contractor obtains goods or services from another integrated contractor on a reimbursable basis. ICW includes orders previously referred to as inter-contractor purchases (ICPs), inter-entity work orders (IEWOs), Integrated Contractor Orders (ICOs), Memorandum Purchase Orders (MPOs), and Integrated Contractor Requisitions (ICRs).

ICW does not constitute a subcontract. However, specific Federal Acquisition Regulation (FAR) and Department of Energy Acquisition Regulation (DEAR) provisions that have been deemed to be relevant to ICW are noted in this chapter.

II.A.2. Appropriate Use of Inter-Contractor Work

II.A.2.i. Purpose of ICW

The ICW is a reimbursable process that allows one DOE integrated contractor to request work from another integrated contractor on a cost reimbursable basis. ICW is not a substitute for normal DOE contract obligations; regular and recurring work should be obligated by the cognizant Federal office using funding allocated through the DOE Budget Formulation and Distribution System (BFADS).

II.A.2.ii. Restrictions on the Use of ICW

ICW is not permitted in the following circumstances:

(1) When the requested goods or services are readily available from the domestic private sector;

(2) When the ICW work scope is not consistent with the performing contractor's contract; and

(3) When the requested goods or services are inconsistent with general limitations on work performed by a Federally-Funded Research and Development Center (FFRDC), as specified in 48 CFR Part 35 (work must be within the purpose, mission, general scope of effort, or special competency of the performing contractor (FAR 35.405 as implemented by DOE/NNSA class deviation)).

(4) The ICW process should not be used as a process for distributing funding to other contractors on a pass-through basis.

II.A.3. Funding for Performance of ICW

II.A.3.i. ICW Cost Transfer Model

The ICW cost transfer process permits the performing contractor to incur costs against funds obligated to the requesting contractor. Integrated contractors are part of the DOE financial reporting entity and provide financial reporting directly within DOE's accounting system, the Standard Accounting and Reporting System (STARS). Because of this financial integration, there is no requirement for DOE to de-obligate funds from the requesting contractor and re-obligate funds to the performing contractor. The performing contractor receives payments for work directly from the requesting contractor through the DOE Payment and Collection (DOE-PAC) system.

II.A.3.ii. Documentation of Funding for ICW Performance

The approved ICW order commits the requesting contractor to pay for the specified goods or services. Thus, an approved ICW order documents the availability of funding for the performing contractor.

Funding for ICW orders must be set aside by the requesting contractor (encumbered) when placing the ICW order.

II.A.4. Approval of ICW for the Requesting Contractor

The Federal Contracting Officer must approve all individual ICW requests unless advance approval for ICW orders has been specifically provided. The Contracting Officer may choose to provide advance approval for ICW orders concurrent with approval of the contractor's purchasing system. Any advance approval for ICW orders must be separately noted in the written approval of the contractor's purchasing system and must specify relevant approval thresholds.

II.A.5. Approval of ICW for the Performing Contractor

II.A.5.i. Contracting Officer Approval Required

ICW represents work performed by a DOE contractor and thus must be approved by the Federal Contracting Officer for the performing contractor.

Approval from the Contracting Officer meets the requirements for a modification of work scope per 48 CFR 970.5211-1(d) consistent with the performing contractor's prime contract.

There is no requirement to approve an adjustment to contract costs for ICW orders per 48 CFR 970.5211-1(e) because costs are transferred to the requesting contractor (see II.A.4.i. of this chapter).

II.A.5.ii. Advance Approvals

The Contracting Officer may develop streamlined procedures for advance approval of transactions, such as advance approval of a master scope of work applicable to ICW orders. Advance approvals may specify specific thresholds for ICW orders that do not require individual approval by the Federal Contracting Officer.

Advance approval arrangements must be approved by the Contracting Officer after consultation with the Contracting Officer's reporting chain, as appropriate.

II.A.6. Documenting ICW Orders

ICW orders must include the minimum data elements in Attachment 12-1 of this chapter and must be approved as specified by II.A.4 and II.A.5 of this chapter. Approved ICW orders must be uploaded into the DOE-PAC system or retained by the requesting contractor.

When documentation is not uploaded into DOE-PAC, contractors must maintain documentation consistent with General Records Schedule (GRS) 1.1. Consistent with GRS 1.1, records relating to DOE ICW agreements and the supporting document must be retained for 6 years upon completion of the ICW.

ICW orders and related documentation must be available in a timely manner for DOE inspection and external audits, or as requested by the Office of the Chief Financial Officer.

II.A.7. Accounting, Billing, and Approval

II.A.7.i. Assigning Costs to ICW

The performing DOE contractor accounts for costs incurred in performing ICW in the contractor's financial management system. The DOE performing contractor must retain supporting documentation for the cost of work performed and billed.

Specific requirements regarding the application of indirect costs to ICW are specified in section II.H of Chapter 15.1, "DOE Application of Contractor Cost Accounting Standards," of the *Financial Management Handbook*.

II.A.7.ii. Billing

The performing DOE contractor initiates bills for the costs incurred during the billing period for each ICW order. Billing periods should align with the contractor's typical billing processes for reimbursable activities and should be specified in the ICW order.

The billing request must, at a minimum, separately specify the fully-burdened labor costs, fully-burdened subcontract costs, and fully-burdened other direct costs including materials. The request must also describe the work performed and goods or services provided. (Do not include any classified or sensitive information).

Billing requests are processed by the performing contractor in DOE-PAC. DOE-PAC automatically generates billings and e-mail notifications to the requesting contractor.

II.A.7.iii. Review of Charges

The requesting DOE contractor is responsible for monitoring performance/receiving deliverable(s) and reviewing the charges billed through DOE-PAC. The requesting contractor may obtain nonproprietary supporting documentation from the performing contractor as needed to support the costs billed and may dispute charges if appropriate. Any necessary corrections are processed by the performing contractor in the DOE-PAC system.

Disputes should be resolved by the contractors whenever possible. If resolution cannot be achieved, the requesting contractor should refer the disagreement to their cognizant Designated Financial Officer (DFO).

II.A.8. ICW Audit Considerations

II.A.8.i. Audit Responsibility

The DOE Office of Inspector General (OIG) is responsible for auditing the costs incurred on integrated contracts (see 4.e.(1) of DOE Order 224.3A, *Audit Coordination, Resolution, and Follow-up).* The Inspector General may contract for completion of incurred costs audits as necessary and appropriate.

II.A.8.ii. Documentation of Costs Incurred

For DOE accounting and financial reporting, ICW is considered a contract cost for the contractor requesting the work. However, the performing contractor is responsible for the accumulation and allocation of costs for ICW and must provide supporting documentation to the requesting contractor as necessary to support audits. Documentary requirements for ICW billings are specified in II.A.7 of this chapter.

Indirect cost allocations to ICW orders by the requesting contractor are subject to audit for compliance with disclosed cost accounting practices consistent with applicable provisions of the *Financial Management Handbook.*[i]

II.A.8.iii. Contractor Incurred Cost Submissions

Integrated contractors must separately disclose both the ICW performed and the ICW requested in their incurred cost submissions.

ICW requested is reported in the same schedule as subcontracts (schedule J or successor schedule). However, ICW orders must be clearly delineated so that they can be identified separately from subcontracts.

The total amount of ICW performed must be disclosed to allow reconciliation between contract costs incurred and DOE accounting records for contract obligations and costs (schedule H or successor schedule).

II.B. Integrated Contractor Performing Work for a Non-Integrated Contractor

II.B.1. Scope and Purpose

Section II.B. provides financial policy for when a DOE integrated contractor performs work for a DOE non-integrated contractor utilizing a process modeled on the Strategic Partnership Projects (SPP) process, in accordance with the provisions of 48 CFR 970.3501-2.

There is no requirement to utilize the 48 CFR 970.3501-2 process. It is generally preferred for the DOE contract work to instead be obligated directly on the integrated contract using standard obligation and work authorization processes.

II.B.2. Non-Federal SPP General Guidelines

When a Federally Funded Research and Development Center (FFRDC) is performing the work, the non-integrated contractor can place an order with the FFRDC through the non-Federal SPP process (48 CFR 970.3501-2). The non-integrated contractor cannot use this process for services that can be readily obtained from the domestic private sector and must maintain support to document use of the process.

Consistent with the DEAR clause, DOE policy is to process these transactions using the non-Federal SPP process in accordance with DOE Order 481.1E *Strategic Partnership Projects*. Integrated contractors that are not FFRDCs cannot use the non-Federal SPP process to perform work for a non-integrated contractor under this DEAR clause.

The following sections describe the procurement and financial processes for non-Federal SPP.

II.B.2.i. Approvals and Performance

The FFRDC contractor prepares a package and agreement in accordance with the requirements of DOE Order 481.1E, *Strategic Partnership Projects*, tailored as appropriate. The FFRDC contractor should coordinate with its cognizant DOE Federal Contracting Officer on appropriate tailoring.

II.B.2.ii. Funding

The DOE program office responsible for oversight of the FFRDC must obtain sufficient reimbursable authority through an allotment.

The non-integrated contractor must advance funds to the FFRDC in accordance with the agreement and the requirements for non-Federal work in section IV of Chapter 13.1, "Reimbursable Work and Processing Interagency Agreements," of the *Financial Management Handbook*, or successor policy. Funding cannot be obligated on the FFRDC's contract until advances are provided.

II.B.2.iii. Accounting, Billing and Payment

The contractor operating the FFRDC accounts for costs in the contractor's financial system.

II.B.2.iv. Special Pricing Considerations

The DOE Federal Administrative Charge (FAC) should not be applied to this work because FAC is only applied to non-DOE work.

Work performed for non-integrated DOE contractors is considered to be DOE work for purposes of application of safeguards and security costs. The requirements in section II.F.1 of Chapter 15.1 of the *Financial Management Handbook* do not apply.

III. INTEGRATED CONTRACTOR REIMBURSEMENTS TO DOE FEDERAL ENTITIES

III.A. Scope and Purpose

The financial process defined by this section will be used for valid situations when a DOE Federal entity is reimbursed by a DOE integrated contractor for goods and services required in the performance of the DOE contract. Examples include service contracts, facility leases, utilities, security background investigations, interagency procurements, and transactions with foreign governments. The contractor, through this process, can allocate costs appropriately to the various contract final cost objectives, including reimbursable work agreements with non-DOE entities.

This policy does not authorize contractors to direct procurement actions by Federal officials.

III.B. Approvals and Performance

The DOE integrated contractor, the requesting entity for this type of transaction, prepares and approves an Internal Reimbursable Transaction (IRT) form (see Attachment 12-2 of this chapter). The performing DOE office may accept equivalent documentation provided it contains the data elements in Attachment 12-2. The DOE Federal entity, the performing entity for this type of transaction, must accept the IRT form.

III.C. Funding

The DOE integrated contractor must record the authorization and attach the signed IRT form (or alternative form) in DOE-PAC. Funds remain obligated on the contract of the integrated contractor. The funded activity can proceed after the IRT form is signed. The integrated contractor must attach the IRT form in DOE-PAC in a timely manner.

III.D. Accounting, Billing, and Payment

III.D.1. The performing DOE Federal entity incurs costs for the inter-entity work and accounts for the costs in STARS. STARS generates billings to the integrated contractor in DOE-PAC, and DOE-PAC generates e-mail notifications to the contractor. The Federal entity servicing financial office records receivable and collection entries in STARS.

III.D.2. The performing DOE Federal entity must retain supporting documentation for costs incurred, including documentation of costs incurred as a result of any work performed by another Federal agency. The documentation itself or instructions for retrieving the documentation must be attached to the relevant DOE-PAC records.

III.D.3. The DOE integrated contractor is responsible for reviewing the charges billed through DOE-PAC as appropriate.

III.D.4. The DOE integrated contractor records the payment(s) in the contractor's financial management system.

IV. WORK BETWEEN DOE FEDERAL ENTITIES

IV.A. Scope and Purpose

This section provides the financial policy for work performed by one DOE Federal entity for another. These processes should not be used to transfer SPP/reimbursable work between entities (see section II.C. of Chapter 13.1 of the *Financial Management Handbook* regarding the acceptance of SPP/reimbursable work). All work must be consistent with the purpose of the funding provided by the requesting Federal entity.

Section IV.B describes acceptable processes for when both Federal entities use DOE's primary accounting system, STARS.

See section IV.C for requirements for the PMAs and FERC, which do not use STARS.

IV.B. Work between DOE Federal Entities that Use STARS

When both DOE Federal entities use STARS, there are three standard processes available for requesting work and an alternative limited use option. This section does not pertain to work with the PMAs and FERC, which are covered in section IV.C.

IV.B.1. Direct Funding Allocations through BFADS

DOE Federal offices requesting work to be performed by another DOE Federal office may coordinate the allocation of funding directly to the performing Federal office. The performing entity obligates funding and incurs costs against the obligated funding. There is no billing, payment, or cost transfer process required.

Requesting and performing offices should document the agreed-upon work scope prior to the allocation of funding. This may be done using local forms or procedures, including work authorizations. The IRT form in Attachment 12-2 of this chapter may also be used.

The documentation of the work to be performed by another Federal office must include: responsible points of contact, scope of work, period of performance, funding, etc. Note that certain form elements on the IRT form may not be applicable; see form instructions in Attachment 12-2.

IV.B.2. Internal G-Invoicing Process

The U.S. Treasury's G-Invoicing system may be used to process reimbursable transactions between two DOE Federal entities when approved by the Director, Office of Finance and Accounting, or designee. Additional requirements for G-Invoicing can be found in section VIII of Chapter 13.1 of the *Financial Management Handbook.*

IV.B.3. STRIPES Process for Direct Contract Support

When a DOE Federal entity arranges with another DOE entity to procure goods or services from a non-integrated contract administered by the other DOE entity, the requesting entity may process a requisition within the Strategic Integrated Procurement Enterprise System (STRIPES). This process allows for the direct obligation of funding on the performing contract.

IV.B.4. Limited-Use Cost Transfer Process

IV.B.4.i. Scope and Purpose

The cost transfer process permits the performing DOE Federal entity to access funds obligated by the requesting DOE Federal entity. The performing entity can transfer costs incurred to the requesting entity's obligated funds.

IV.B.4.ii. Limited Use Approval

The cost transfer process is an option available for limited use. Because the process requires manual accounting entries to be performed by the Office of Finance and Accounting (CF-10), use of the process must be approved by the CF-10 Director or designee.

IV.B.4.iii. Documenting the Agreement

The requesting DOE Federal entity uses the IRT form (Attachment 12-2) to document its authorization. The individual approving the form must have authority to approve the expenditure of funds for the authorizing DOE Federal entity.

The requesting entity's DFO should submit the IRT form to the CF-10 Director or designee for approval before this process can be used. If approved, the requesting DOE Federal entity should forward the IRT to the performing DOE Federal entity for acceptance.

IV.B.4.iv. Accounting, Billing, and Payment

With the cost transfer process, funds (budget authority) remain obligated at the requesting Federal entity. The performing Federal entity records an obligation using a transfer budget and reporting (B&R) code (YN1901000) and a Work for Others (WFO) value that pairs to the requesting entity's obligated funds.

For all offices, CF-10 supports the accounting processes in STARS that link the transfer B&R's activity to the actual funding obligated at the requesting entity.

The performing DOE Federal entity is responsible for making documentation available to the authorizing DOE Federal entity in sufficient detail to support costs incurred.

The requesting DOE Federal entity is responsible for reviewing the costs incurred by the performing DOE Federal entity and reviewing documentation as appropriate.

IV.C. Reimbursable Transactions with PMAs and FERC

Although part of DOE, the PMAs and FERC have some degree of autonomy. They have their own accounting systems and U.S. Treasury accounts that are separate from the primary DOE Treasury account that covers all DOE Federal entities that use STARS. Due to the separate Treasury accounts, reimbursable transactions with these entities should be processed as interagency agreements through G-Invoicing. While these transactions are processed as interagency agreements, FAC is not applicable to these DOE entities. See section VIII of Chapter 13.1 of the *Financial Management Handbook* for requirements on G-Invoicing.

IV.D. Use of Federal Facilities

DOE Federal entities hosting personnel or functions from other DOE Federal entities may establish appropriate charges. Charges should include, at a minimum, recovery of material cost increases associated with hosting personnel or functions from other DOE Federal entities. For a permanent and substantial presence, offices should agree on an appropriate cost-sharing arrangement.

At DOE headquarters facilities, costs are allocated through the DOE Working Capital Fund.

Note that specific requirements apply to support provided to the Office of Inspector General in accordance with the provisions of 5 U.S.C. 406(d).

V. DEFINITIONS

V.A. DOE Federal Entity

For purposes of this policy, a DOE Federal entity is any Federal organization that is consolidated with the Department's financial statements.

V.B. Inter-Contractor Work (ICW)

For purposes of this policy, inter-contractor work (ICW) is an authorization for one integrated contractor to provide products/perform services for another integrated contractor.

V.C. Integrated Contractors (ICs)

Contractors with a contractual requirement for integrated accounting, 48 CFR 970.5232-8, *Integrated Accounting*, or successor clause. Contractors with integrated accounting are noted in the list of site/facility management contractors maintained by the MA Office of Acquisition Management (MA-60).

V.D. Internal Reimbursable Transaction (IRT) Form

A funding document used to document work from one DOE organization to another DOE organization. An IRT is not a procurement form and does not authorize any procurement actions.

V.E. Non-Integrated Contractors

DOE contractors that do not have a contractual requirement for integrated accounting.

V.F. FFRDC

For purposes of this policy, an FFRDC is a DOE contractor-operated site that is designated as a Federally Funded Research and Development Center, in accordance with applicable FAR provisions. Contractors designated as FFRDCs are indicated on the list of site/facility management contractors maintained by the MA Office of Acquisition Management (MA-60).

V.G. DOE-PAC

The DOE Payment and Collection System. This DOE system facilitates billing and payments between DOE Federal entities and contractors and is integrated with the DOE primary accounting system STARS.

V.H. G-Invoicing

The G-Invoicing system is a Treasury system for Federal interagency agreements and is a way for Federal entities to transfer funds from one agency to another. G-Invoicing is maintained by Treasury's Bureau of the Fiscal Service.

VI. ACRONYMS AND ABBREVIATIONS

B&R	Budget and Reporting
BFADS	Budget Formulation and Distribution System
CF or CFO	DOE Chief Financial Officer
CFR	Code of Federal Regulations
DEAR	Department of Energy Acquisition Regulation
DFO	Designated Financial Officer
DOE	Department of Energy
DOE-PAC	Department of Energy Payment and Collection System
FAC	Federal Administrative Charge
FAR	Federal Acquisition Regulation
FERC	Federal Energy Regulatory Commission
FFRDC	Federally Funded Research and Development Center
GRS	General Records Schedule
ICW	Inter Contractor Work
IRT	Internal Reimbursable Transaction
MA	DOE Office of Management

NNSA	National Nuclear Security Administration
OIG	Office of Inspector General
PMA	Power Marketing Administration
SPP	Strategic Partnership Projects
STARS	Standard Accounting and Reporting System
STRIPES	Strategic Integrated Procurement Enterprise System
WFO	Work For Others

ATTACHMENT 12-1 – DOCUMENTATION OF INTER-CONTRACTOR WORK TRANSACTIONS

The following data elements must be included in the agreement documenting an approved inter-contractor work transaction.

Documentation must be available in a timely manner for DOE inspection and external audit.

Any sensitive or classified information shall be retained in an appropriate system.

Required General Provisions

- Work Order/and or amendment number.
- Name of requesting contractor and DOE contract number.
- Name of performing contractor and DOE contract number.
- Project title/program name.
- Description of requested work.
- The period of performance.
  - The requesting contractor is responsible for ensuring that the period of performance is consistent with the availability of the funding utilized.
- The estimated cost, provided by the performing contractor.
  - Estimated cost to be calculated in a manner consistent with the cost estimates provided for Strategic Partnership Projects; see DOE Order 481.1E (or successor policy).
  - The requesting contractor must ensure that funds are appropriately encumbered in the contractor's financial management system to ensure availability of funds for payment.
- A general statement that any acquisition or disposition of property must comply with the terms and conditions of the prime contract(s).
- Any special provisions pertaining to contractor safety, health, and required site access shall be included, as applicable.
- The names and contact information of the programmatic points of contact (Principal Investigator or equivalent) for the requesting and performing contractor.
- The names, contact information, and approval of the administrative points of contact for the performing and requesting contractor.
- Record of approval for the requesting contractor, consistent with II.A.4. of this policy
- Record of approval for performing contractor, consistent with II.A.5. of this policy.

Payment Terms

Must include a statement that payments are for costs incurred in providing the equipment, materials, and/or services, consistent with the cost incurred by the performing Contractor.

Must specify the billing frequency (see II.A.7.ii. of this policy).

Rationale for Use of ICW

Must include a statement that:

- The work is within the purpose, mission, general scope of effort, or special competency of the performing contractor;
- The requested goods or services are not readily available from the domestic private sector; and
- Any effort to be subcontracted by the performing DOE contractor is incidental to the goods/services to be provided to the requesting contractor.

1. Work Order Number: Amendment Number:	2. Fiscal Month/Fiscal Year to be Recorded: *Note: Only for use in inter-entity work in accordance with Financial Management Handbook Chapter 12.*
Authorizing Work Section	
3. Requestor:	
4. Requestor OPI Code:	
5. Requestor POC: Telephone Number: Email:	
6. Requestor Funds Availability Certification Signature and Date:	
7. Requestor Authorization Signature and Date:	
8. Scope of Work:	
9. Period of Performance:	
10. Requestor Billing and Budgetary Information: Address:	

Billing POC:

Funding Description
(STARS Accounting Flex Field (AFF) for Federal Requestors)

Total Amount Certified Available:

Previous Total: Change Amount: Revised Total:

Time Limitation of Funds:

Performing Work Section

11. Performer:

12. Performer OPI Code:

13. Performer POC:

Telephone Number:

Email:

14. Performer Billing POC and Procedures for Documentation of Costs:

15. Performer Acceptance Signature and Date:

Form Instructions

1) Work Order/and or Amendment Number (Requestor assigns).

2) Fiscal Month/Year to be recorded

3) Requestor
   Contractor (Name of contractor and their Prime Contract number) or DOE Federal Entity (Official Office Name)

4) Requestor (Contractor or DOE Federal Entity) OPI Code

5) Requestor Point of Contact (POC) and contact information
   Contractor or DOE Federal Entity POC
   Contact information (Name, Telephone Number, and e-mail)

6) Requestor Funds Availability Certification Signature and Date.
   Contractors should encumber funds appropriately to ensure that funds are available for requested work.
   Not applicable for Funds Distribution Process per IV.B.1. of this chapter.

7) Requestor Authorization Signature and Date – authorizing work request in accordance with DOE policy.

8) Scope of Work, to include:
   - Statement of work,
   - Project Title/program name;
   - Associated DOE Program Description
   - If relevant, a general statement that any acquisition or disposition of property must comply with 41 CFR 109
   - Listing of acquired/furnished property if relevant
   - If performance at other locations, identify other locations and provide estimated travel requirements

9) Period of Performance

10) Requestor Billing and Budgetary Information (not applicable for Funds Distribution Process per IV.B.1. of this chapter)
    - Billing Address
    - Billing POC (name, phone number, and e-mail)
    - Identification of the funding encumbered by the requesting entity (STARS Accounting String for Federal requestors)

- Total Amount Certified Available: Previous Total Amount; Current Change Amount; and Revised Total Amount
- Include any time limitations of the funding sources

11) Performing DOE Federal Entity

12) Performing DOE Federal Entity OPI Code

13) Performing DOE Federal Entity Programmatic POC
DOE Federal Entity POC
Contact information (Name, Telephone Number, and e-mail)

14) Performing DOE Federal Entity Financial POC and Procedures for Documentation of Costs (not applicable for Funds Distribution Process per IV.B.1. of this chapter)

15) Performing DOE Federal Entity Acceptance Signature and Date.

[i] See Chapters 15.1, "DOE Application of Contractor Cost Accounting Standards," and Chapter 15.2, "Laboratory, Plant, and Site Directed Research and Development."

SUBJECT: JUNE 2026 UPDATE TO CHAPTER 12, "DOE INTERNAL REIMBURSABLE TRANSACTIONS"

1. EXPLANATION OF CHANGES. These changes:
   - Add references to new content in *Financial Management Handbook* Chapters 15.1 and 15.2 regarding application of indirect costs to ICW;
   - Clarify expectations for the performing and requesting contractor for ICW in terms of providing documentation and reviewing charges billed; and
   - Add content on charging for the use of Federal facilities.

2. LOCATIONS OF CHANGES: Substantive changes made throughout the document are summarized in the following chart.

Page	Section	Section Title	Summary
12-5	II.A.7.i.	Assigning Costs to ICW	Adds references to Chapters 15.1 and 15.2 for applying indirect costs to ICW.
12-5	II.A.7.iii.	Review of Charges	Adjusts the requirement for the requesting contractor to review the charges billed without requiring a formal approval/disapproval in DOE-PAC. Removes endnote on planned modifications to DOE-PAC to require formal approval of billings. Adds language on disputed billings.
12-6	II.A.8.ii.	Documentation of Costs Incurred	Clarifies that the performing contractor is expected to provide supporting documentation. Adds reference to Chapters 15.1. and 15.2 for requirements on applying indirect costs to ICW.
12-11	IV.D.	Use of Federal Facilities	New section on charging for use of Federal facilities

Chapter 13.1
REIMBURSABLE WORK AND PROCESSING INTERAGENCY AGREEMENT

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I. INTRODUCTION

I.A. Purpose and Scope

This chapter provides the financial policies and procedures for reimbursable work and Interagency Agreements.

Sections II through VII of the policy relate only to reimbursable work agreements—when DOE performs work for a non-DOE entity (funds-in agreements).

Section VIII provides financial policy for processing Interagency Agreements, including both work performed by DOE (funds-in agreements) and work performed by another Federal agency for DOE (funds-out agreements).

I.B. Exclusions

This chapter (Chapter 13.1) does not:

I.B.1. Provide policy for transactions between DOE entities, including DOE site/facility management contractors where Chapter 12, "*Inter-Entity Work Between DOE Organizations*," applies.

I.B.2. Supersede provisions of Departmental Orders pertaining to reimbursable work performed by DOE, including DOE Order 481.1F, *Strategic Partnership Projects [Formerly Known as Work for Others (Non-Department of Energy Funded Work)]*; DOE Order 481.2A, Strategic Partnership Projects (Federal); DOE Order 484.1A, *Reimbursable Work for the Department of Homeland Security*; and DOE Order 483.1C, *DOE Cooperative Research and Development Agreements.*

I.B.3. Establish procurement policies. Procurement policies are established by the Federal Acquisition Regulation (FAR); the DOE Acquisition Regulation (DEAR); DOE Directives; Acquisition Letters; and other policies issued by the DOE Office of Management (MA).

I.B.4. Establish policy for pricing reimbursable work. The pricing policy for reimbursable work is specified in DOE Order 522.1B, *Pricing of Departmental Materials and Services.*

I.B.5. Establish policy for receivables relating to reimbursable work. Financial policy relating to receivables is contained in Chapter 8 of the DOE *Financial Management Handbook.*

I.B.6. Define procedures for processing appropriations transferred to DOE from other agencies (non-expenditure transactions). See II.C. of Chapter 3.1 of the *Financial Management Handbook,* "Budget Execution Topics and Accounting for Appropriations," for guidance on processing appropriation transfers. Section I.D. of this chapter

discusses the two major financial mechanisms for work performed by DOE but funded by another Federal agency.

I.C. Applicability

I.C.1. Departmental elements that perform reimbursable work or enter into Interagency Agreements, including the National Nuclear Security Administration (NNSA) and the Power Marketing Administrations[i].

I.C.2. Site/facility management contractors that perform reimbursable work for non-DOE entities, as specified.

I.D. Overview of Financial Mechanisms for DOE Work Funded by Another Federal Agency

I.D.1. Reimbursable Work (Expenditure Transfers)

Chapter 13.1 provides DOE financial guidance for reimbursable work performed by DOE for other Federal agencies.

Reimbursable work results in expenditure transfers—where funding is transferred to a DOE Treasury account on the basis of expenditures made by DOE to execute a reimbursable work agreement.

See section II.A of this chapter for discussion of the types of reimbursable work and section II.B for a discussion of the required authorization.

I.D.2. Appropriation Transfers (Non-Expenditure Transfers)

I.D.2.i. Overview

Other Federal agencies may transfer their appropriated funding to DOE on a non-expenditure basis when authorized by specific legal authority.

Appropriation transfers are not provided to reimburse DOE for specific expenditures. Instead, the other Federal agency transfers appropriated funding to DOE, and DOE executes the funding in a manner consistent with the time limitations and purpose of the original appropriation.

Specific legal authority must exist to transfer an appropriation to DOE. One relevant authority is section 632 of the Foreign Assistance Act (relevant provisions codified at 22 USC 2392(a)). This authority authorizes the Department of State to transfer funds to DOE.

Budget procedures for processing appropriation transfers are provided in Section II.C of Chapter 3.1 of the *Financial Management Handbook*.

I.D.2.ii. Appropriate Use of Appropriation Transfers

An appropriation transfer provides DOE with the discretion to define specific deliverables and choose specific DOE components to perform the work. Appropriation transfers are preferred when:

- DOE defines the specific projects, performers, and deliverables for funding provided by another agency; or
- One DOE office is responsible for coordinating work to be performed by multiple DOE sites.

I.D.2.iii. Execution of Funding Provided through an Appropriation Transfer

DOE obligates and expends funding provided through an appropriation transfer in the same manner as it executes funding that is appropriated directly to DOE.

Funding subsequently provided for performance of work at a DOE contractor-operated site follows standard DOE processes, with a contract obligation supported by work authorization[ii].

Financial Mechanisms for Work Funded by Other Federal Agencies

	Reimbursable Work	**Appropriation Transfers**
Financial Transaction Type	Expenditure Transfer Billing and payments processed through the G-Invoicing system	Non-Expenditure Transfer Funding provided to DOE through an OMB apportionment Funding distributed to the performing DOE office by CFO through an allotment
Work Performed	Requesting agency defines a scope of work consistent with DOE's mission and capacities (as determined by DOE) and identifies specific deliverables or activities.	DOE defines the specific projects, performers, and deliverables, with appropriate consultation with the funding agency.
Authority	Specific Legal Authority Required See sections III.A, IV.A, and X of this chapter.	Specific Legal Authority Required The agency providing the funding to DOE must have transfer authority.

DOE Financial Direction	Chapter 13.1 of the Financial Management Handbook	Section II.C of Chapter 3.1 of the Financial Management Handbook
Executing Work to be Performed by DOE Contractors	Strategic Partnership Projects (SPP, DOE Order 481.1F and DOE Order 481.2A), Homeland Security reimbursable work (DOE Order 484.1A).	Work Authorization (DOE Order 412.1A) Transferred funding is considered to be DOE funding for purposes of budget execution.

II. REIMBURSABLE WORK GENERAL PROVISIONS

II.A. Types of Reimbursable Work

DOE reimbursable work includes Strategic Partnership Projects (SPP), Cooperative Research and Development Agreements (CRADAs), Agreements for Commercializing Technology (ACT), Reimbursable Work for the Department of Homeland Security, Contributed Funds Agreements at the National Energy Technology Laboratory, and any other legally authorized agreement whereby DOE is reimbursed for costs incurred on behalf of another Federal or non-Federal entity.

Based on dollar value, SPP constitutes most DOE reimbursable work.

II.B. Authorization to Perform Reimbursable Work

DOE performs work for other entities on a reimbursable basis when:

- The work is authorized by law. (see section III.A, IV.A, and X of this chapter)
- The requesting agency or non-Federal entity has defined a scope of work consistent with DOE's mission and capacities (as determined by DOE) and identified specific deliverables or activities to be performed;
- An authorized DOE official has approved the request to perform work as specified in the *Financial Management Handbook* and the DOE Directives applicable to reimbursable work.
- The cognizant contracting officer has approved any work to be performed by a DOE contractor-operated facility; and
- DOE has obligated funds for the performance of reimbursable work (see II.C.2 of this chapter)

II.C. Funding for Reimbursable Work

II.C.1. Purpose Limitation for DOE Appropriations

31 USC 1301 states an appropriation may only be used for the purposes contained in the appropriation. As such, unless provided for by law, DOE may not finance reimbursable work for others from its appropriations. Additionally, DOE shall not finance its reimbursable work from another customer's funding.

Funds provided under reimbursable agreements are to be used solely for the purpose specified in the reimbursable agreement.

II.C.2. Authority to Incur Obligations for Reimbursable Work

DOE must have both a budgetary resource and reimbursable authority to incur obligations to perform reimbursable work. Additionally, reimbursable agreements are subject to the provisions of 31 USC 1501, concerning the requirement for documentary evidence when recording government obligations. Reimbursable agreements must provide a defined statement of work with specific deliverables or activities in order to represent a valid obligation.

The table below summarizes the requirements that must be met prior to the obligation of funds for reimbursable work:

Customer	Budgetary Resource	Reimbursable Authority	Documentary Evidence
Federal Entities	(1) Agreement approved by both DOE and the Other Federal Agency (2) If the agreement requires an advance, the advance plus Agreement constitute the budgetary resource (see III.B.2. of this chapter).	Provided in advance through an OMB Apportionment and DOE Allotment	Agreement approved by both DOE and the Other Federal Agency (see section VIII of this chapter)
Non-Federal Entities	Advance Payment from the customer. See IV.B.6. and IV.C.4 of this chapter for limited exceptions.	Provided in advance through an OMB Apportionment and DOE Allotment	Agreement approved by both DOE and non-Federal entity

II.C.3. Apportionments of Reimbursable Authority

DOE must obtain reimbursable authority in advance of performing reimbursable work. Reimbursable authority is obtained through an apportionment from the Office of Management and Budget (OMB).

The CFO Office of Budget provides annual guidance on the process and requirements for requesting apportionments of reimbursable authority. As specified in the annual guidance, the type of apportionment requested may vary depending on the authority governing the anticipated reimbursable work agreements.

Additional requirements relating to apportionments of reimbursable authority are contained in Section III.B.1. of this policy.

II.C.4. Allotments of Reimbursable Authority

Consistent with the provisions of DOE Order 130.1B, *Budget Planning, Formulation, Execution, and Departmental Performance Management,* or successor policy, the Office of the CFO provides allotments of reimbursable authority.

II.C.5. Adhering to Funding Limitations

II.C.5.i. Obligations, costs, and expenditures for each reimbursable agreement shall not exceed the amount specified in the reimbursable agreement. Departmental offices and contractors managing reimbursable work shall maintain an appropriate management control environment to provide sufficient advance notification of potential funding shortfalls to obtain additional funds or begin project termination.

II.C.5.ii. Contractors shall not begin any reimbursable work for non-DOE customers until they have obtained authorization from the responsible DOE Contracting Officer.

II.C.5.iii. No costs shall be incurred for performance of reimbursable work beyond the period of performance specified in the reimbursable agreement. DOE can continue to bill the customer after the end of the period of performance for costs incurred during the period of performance. Billings may be needed to account for subsequent cost adjustments.

II.D. Accounting for Reimbursable Work Transactions

II.D.1. Unfilled Orders and Obligations

Accepted reimbursable agreements shall be controlled by the following budgetary standard general ledger accounts: Unfilled Customer Orders; Undelivered Orders – Obligations Unpaid; and Delivered Orders – Obligations (paid and unpaid). The balances of these accounts represent the ceilings for costs, obligations, and uncosted obligations, respectively.

II.D.1.i. Source Document for Unfilled Customer Orders
The source document for recording Unfilled Orders is the reimbursable work agreement, along with evidence that the reimbursable agreement was accepted in accordance with established DOE policies.

II.D.1.ii. Source Document for Undelivered Orders-Obligations Unpaid and Delivered Orders-Obligations (Paid and Unpaid)
For work performed by a DOE 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.

II.D.2. Cash Advances

Cash advances received for reimbursable or other type of work shall be recorded as unearned revenue. A liability shall be established, which shall be reduced by accrued cost.

II.D.3. Contractor Responsibilities

If reimbursable or other type of work is to be performed by a contractor, the Contracting Officer or DFO may assign all collection and accounting activities for the work to the contractor, when consistent with contract requirements. Otherwise, the contractor may transfer the amount to DOE accounts, in which case the DOE element shall perform the collection and accounting activities.

II.D.4. Billing

II.D.4.i. Billings shall be consistent with 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 a funding increase is required, an amendment should be agreed upon with the customer before incurring any additional costs.

II.D.4.ii. Billings based on accrued and recorded costs will be issued monthly or in accordance with reimbursable or other type of work agreements and will include the date that the reimbursable or other type of work was provided, in addition to the as-of billing date. Customer billings should contain appropriate cost detail.

II.D.4.iii. For foreign sponsors making payments in foreign currencies, the Federal Reserve Bank of New York processes the collection.

II.D.5. Collections

Reimbursements shall be recorded in the appropriation and fund type in which the costs were recorded. Collections shall be recorded as a debit to the Reimbursements & Other Income Earned - Collected general ledger account. The balance of that

account will represent the cumulative collections for reimbursable or other type of 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 CFO Office of Finance and Accounting.

For collections of the Federal Administrative Charge (FAC), see III.C.3 of the chapter (for Federal reimbursable work) and IV.B.7 of this chapter (for non-Federal reimbursable work).

II.E. Responsible Office for Accepting Reimbursable Work

II.E.1. Work Performed by One Office or Contractor

The DOE office accepting the reimbursable agreement must also be the office that is responsible for executing the agreement.

When reimbursable work is to be performed by a DOE contractor, the agreement should be accepted by the Federal office with responsibilities for managing the contractor performing the work. Thus, a DOE Headquarters program office should not accept a reimbursable agreement requesting that work be performed by a DOE Laboratory or other contractor-operated facility.

As specified by DOE Acquisition Letter No. AL 2022-04, only the cognizant Contracting Officer (CO) is authorized to accept customer orders (7600B for Federal work) for work to be performed on a contract.

See section VIII of this chapter for additional guidance on processing Federal reimbursable work.

II.E.2. Work Performed by Multiple DOE Offices or Contractor-Operated Facilities

II.E.2.i. Standard Process

Under the standard process, separate agreements should be processed with each office that is responsible for performing the work or managing the contractor performing the work. For Federal reimbursable work, both the General Terms and Conditions (form 7600A) and the Order (form 7600B or equivalent) are negotiated by the office performing the work or managing the contractor performing the work. See section VIII of this chapter for additional guidance on processing Federal reimbursable work.

II.E.2.ii. Agencywide Agreement Process

DOE may execute an agencywide agreement with the customer for work to be performed by multiple DOE

offices or contractor-operated facilities. This may be appropriate when requested by the customer or when otherwise necessary to document a broader agency-wide agreement or program. When this occurs, the DOE office negotiating the overarching agreement must coordinate the agreement with the DOE offices that will perform the work or manage the contractors performing the work. This ensures that agreement does not commit the agency to work or activities that are inconsistent with the scope of DOE contracts or which otherwise cannot be performed by DOE.

For agreements with Federal organizations, the agencywide agreement is required to be documented through a 7600A General Terms and Conditions form. For non-Federal entities, the overarching agreement may take the form of a Memorandum of Agreement or other appropriate instrument.

Even when DOE has approved an agencywide agreement, individual orders (7600B for Federal work) must be placed with the office performing the work or managing the contractor performing the work. Offices must NOT accept orders for work that will be performed by another DOE office, or by a contractor managed by another DOE office. For work to be performed by a contractor-operated facility, all orders must be approved by the Contracting Officer consistent with current requirements. See DOE Orders 481.1F and 481.2A (current version) for Strategic Partnership Projects, DOE Order 484.1A (current version) for Reimbursable Work for the Department of Homeland Security, and DOE Order 483.1C (current version) for DOE Cooperative Research and Development Agreements. Also see section VIII of this chapter for additional guidance on processing Federal reimbursable work.

II.F. End of Year Processing

DFOs in conjunction with site offices as applicable shall establish cutoff dates prior to the end of the fiscal year to provide ample time to review, accept, obligate, distribute, and record reimbursable agreements.

II.G. Closeout of Reimbursable Agreements

The process of closing out a reimbursable work agreement should commence upon completion of the work or when the period of performance specified in the reimbursable work agreement ends, whichever comes first.

When final costs are determined, the customer shall be provided with a final invoice or (if applicable) have unused funds returned.

The determination of final costs for reimbursable work performed by a DOE contractor should be in accordance with the provisions in Chapter 15.1 of the Financial Management Handbook.

III. REIMBURSABLE WORK FOR FEDERAL CUSTOMERS

III.A. Authorities

III.A.1. Authority to Perform Reimbursable Work

DOE has numerous specific legal authorities to perform reimbursable work for other Federal entities (see Section X to this chapter for identified applicable authorities). Consistent with past Comptroller General decisions (e.g., B-285451.3/B-285451.4), the most specific legal authority applies to an agreement even if the authority is not specified in the agreement itself or by the Federal agencies that are party to the agreement.

The Economy Act provides broad authority to Federal agencies to request and perform reimbursable work with other Federal agencies. While the Economy Act provides broad authority to DOE, it applies to DOE reimbursable work agreements only when more specific authorities are not relevant. The Federal Acquisition Regulations (48 CFR 17.502-2(b)) notes that “The Economy Act applies when more specific statutory authority does not exist.” This principle is consistent with the guidance of the Department of Justice Office of Legal Counsel (6 Op. Off. Legal Counsel 464 [1982]) and the Comptroller General (e.g., 44 Comp. Gen. 683 [1965]; B-301561, June 14, 2004).

III.A.2. Choosing the Appropriate Reimbursable Work Authority

While DOE has numerous authorities to perform reimbursable work, as specified in section X of this chapter, most DOE Federal reimbursable work is performed under the authorities described in this section. Guidance in this chapter may be used to determine the appropriate authority for most Federal reimbursable work agreements. However, questions regarding the authority to be used should be referred to General Counsel (GC-22 for work to be performed by DOE; NNSA GC for work performed by NNSA).

III.A.2.i. Atomic Energy Act (42 USC 2053)

This authority is applicable to most SPP work performed for other Federal agencies. It applies to research and development, training, and studies. Note that more specific authority applies to work performed for the Department of Homeland Security (DHS) (see III.A.2.ii of this chapter)

III.A.2.ii. Homeland Security Act of 2002 (6 USC 189)

This authority applies to work performed for the Department of Homeland Security (DHS) by DOE national laboratories and sites in support of homeland security activities. The Homeland Security Act of 2002 provides more specific authority for DHS work than the Atomic Energy Act.

III.A.2.iii. Foreign Assistance Act of 1961 (22 USC 2392)

This authority applies to foreign assistance work funded by the State Department or USAID.

The Foreign Assistance Act provides authority for DOE to perform work on a reimbursable basis (expenditure transfers). However, the Foreign Assistance Act also provides the State Department the authority to transfer appropriations to DOE (non-expenditure transfers). An appropriation transfer may be the more appropriate mechanism for certain types of work performed with State Department funding (see I.D. of this chapter).

III.A.2.iv. Specialized Authorities

Additional specialized authorities are listed in Section X of this chapter. It may be necessary to consult with General Counsel prior to application of the specialized authorities.

III.A.2.v. Economy Act (31 USC 1535)

The Economy Act provides general authority that can be cited for work that does not fall under the scope of a more specific authority.

III.A.3. Documenting the Appropriate Reimbursable Work Authority

Funds in reimbursable agreements are typically initiated by the Requesting Federal Agency. Frequently, the agreements and orders initiated by other Federal agencies cite the Economy Act, consistent with the procedures of the Requesting Federal Agency. DOE may accept Agreements and Orders citing the Economy Act without affecting the actual legal authority under which the work is performed. To provide greater transparency to DOE and the Requesting Federal Agency, DOE officials accepting Agreements and Orders for reimbursable work should include a note detailing the specific legal authority under which DOE will perform the work.

The sample language below should be included in the Interagency Agreements.

General Terms and Conditions (GT&C)

(For contractor operated sites) [insert as applicable, typically in the Clauses section in the Agreement Information Tab in G-Invoicing] [insert as applicable] (*Federal site) manages the (laboratory or site) which is operated by the (contractor). All work described in this agreement will be performed by (contractor name) in accordance with the interagency agreement and consistent with the (Contract and web site for the contract) terms and conditions.*

(For Government-Owned, Government-Operated laboratories and other Federal entities) All work described in this agreement will be performed by (Federal site) in accordance with the interagency agreement and consistent with the terms and conditions.

The sample language below should be used in the field for "Comments" (equivalent to Box 16 of Form 7600B) when the work is to be performed under the authority of the Atomic Energy Act or another DOE-specific authority (see Section X of this chapter for a list of other reimbursable work authorities).

DOE/NNSA's authority to obligate funding and perform reimbursable work, is the Atomic Energy Act of 1946 as amended (42 USC 2011 et seq) [or other specific authority—insert as applicable] Funding will be obligated and performed under the terms of the DOE/NNSA contract in accordance with the Department of Energy Acquisition Regulation (DEAR).

III.A.4. Orders Citing Multiple Authorities

Consistent with the legal principles discussed in Section III.A.1 of this chapter, the most specific authority will apply to each interagency agreement. But as noted in Section III.A.3. of this policy, agreements accepted by DOE may list multiple authorities if the Requesting Federal Agency did not cite the most specific applicable authority when initiating the order. When this occurs, DOE personnel accepting the interagency agreement should be aware that the Requesting Federal Agency may take actions consistent with the authority cited by the Requesting Federal Agency.

A typical situation would be when another Federal agency cites the Economy Act as the authority for the reimbursable work order, but DOE determines that the Atomic Energy Act is the more specific applicable authority for the requested work. This scenario may create risks for DOE when accepting orders at the end of a fiscal year because of differences in the way that funds are obligated under the different authorities. If DOE accepts such an agreement in one fiscal year but obligates funds on a DOE contract in the

following fiscal year, DOE officials should communicate clearly with the Requesting Federal Agency on the execution of the agreement to ensure that the funds are not de-obligated by the Requesting Federal Agency.

III.B. Budgetary and Financial Requirements

III.B.1. Apportionment of Reimbursable Authority

III.B.1.i. General Requirement

DOE must obtain reimbursable authority through an apportionment in advance of performing reimbursable work.

The CFO Office of Budget provides annual guidance for requesting apportionment of reimbursable authority, as per the current provisions of OMB Circular A-11 and current OMB direction.

III.B.1.ii. Period of Availability

OMB's Resource Management Offices provide reimbursable work authority to DOE through apportionments. OMB may apportion reimbursable authority in a DOE no-year account. OMB may also provide apportionments of reimbursable authority in a Treasury Appropriation Funds Symbol (TAFS) with a period of availability that (1) does not exceed the period of availability for obligation of the funds provided by the Requesting Federal Agency and (2) is consistent with the period of performance specified in the agreement (130.21 of OMB Circular A-11).

Because the period of obligational availability of existing DOE appropriations may not meet the requirements for a specific reimbursable work order, OMB may provide apportionment of reimbursable authority in a new TAFS established specifically for the performance of reimbursable work.

III.B.1.iii. Specific Guidance for Transactions Under the Foreign Assistance Act (FAA) of 1961

When cited in the agreement, the specific provisions of the FAA of 1961, as amended, and the Department of State's annual appropriations serve to extend the period in which DOE can incur valid obligations to implement FAA-reimbursable work agreements. Specifically, the period of availability of funds may be extended by four years when the Department of State enters into a reimbursable work agreement with DOE.

The FAA provision may also allow for the extension of the period of performance—and DOE's obligational authority—for FAA agreements for an additional five years beyond the expiration of the period of availability. Thus, it may be appropriate for DOE to request reimbursable authority for FAA-reimbursable work transactions in TAFS that extend up to nine years beyond the year in which the FAA transaction is accepted by DOE.

DOE's request for reimbursable authority should match the Department of State's ending period of availability and include the four-year extension when the appropriate section and clauses are included in the agreement.

Detailed guidance for FAA transactions is provided in Section 130 of OMB Circular A-11.

III.B.2. Budgetary Resources

III.B.2.i. Budgetary Resource

Normally, a valid reimbursable agreement constitutes the budgetary resource.

For work that requires an advance, the advance provided in accordance with the reimbursable agreement constitutes the budgetary resource (see III.B.2.ii of this chapter).

III.B.2.ii. Advance Payments

Advance payments are generally not required when DOE performs work for other Federal agencies.

Advance payments are permitted when DOE performs work for other Federal agencies under the Economy Act. However, advance payments should be limited in usage and requested only if the interests of DOE are best served by obtaining one. The advance payment arrangement, including the amount to be advanced, must be documented in the order (7600B or equivalent). Advances should be processed according to current Treasury Department procedures as implemented through G-Invoicing.

Advance payments are required as a matter of DOE policy for work performed under the authority of the FAA of 1961 as amended.

If any portion of a reimbursable work agreement is deobligated, any advance payments provided to DOE that are associated with the deobligated funds must be promptly refunded consistent with Section II.G.

III.C. Financial Guidelines for Acceptance of Federal Reimbursable Work

III.C.1. *Bona Fide* Need and Severability Determinations

The requesting Federal agency is responsible for determining whether a requested reimbursable work agreement (and the specific period of performance specified in the agreement) meets the *bona fide* needs of the period of availability of the requesting Federal agency's appropriation. This includes a determination by the requesting Federal agency of whether the requested work is severable or non-severable as required.

III.C.2. Incremental Funding of Reimbursable Work

DOE should ensure the reimbursable agreement provides sufficient funding to avoid disruptions to reimbursable work activities and minimize the administrative burden of incremental funding actions.

Generally, the reimbursable work agreement should 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 three months of the following fiscal year is recommended, if permitted.

The requesting Federal agency is responsible for making a *bona fide* need determination for the requested work, including considerations of severability of the requested work.

III.C.3. Collections of the Federal Administrative Charge (FAC)

FAC is a legally-mandated fee charged to the reimbursable work agreement. DOE policy regarding collection of FAC is contained in DOE Order 522.1B, *Pricing of Departmental Materials and Services*.

Collections of FAC should be made into a separate Treasury Account Symbol for financial control purposes. The Form 7600B Order box for "Agency Treasury Account Symbol (TAS)," should specify both the TAS for the primary reimbursable work and a separate TAS for collections of FAC.

The sample language below should be used in the field for "Overhead Fees and Charges" (equivalent to Box 10 on the Form 7600A) orders from other Federal agencies that must pay the FAC:

DOE charges a Federal Administrative Charge of [current rate per DOE Order 522.1B] established by statute in the 1999 NDAA (42 USC § 7259a). Payments of the Federal Administrative Charge must be made in the separate Treasury Account Symbol 0895228.001.

For agreements in process that do not specify that FAC payments be made directly in a separate Treasury Account Symbol, FAC collections must be processed using the procedures in place when the agreement was approved.

III.C.4. National Institutes of Health (NIH) Grant Funding

In accordance with the terms of the Department's Memorandum of Understanding with NIH, DOE laboratories may respond to NIH grant solicitations. When laboratories are awarded NIH grants, funding is provided to DOE by the NIH and executed as reimbursable work.

III.C.5. Construction Performed for Other Federal Agencies

The Requesting Federal Agency is responsible for ensuring that it has the authority to perform construction and that the funding provided to DOE is legally available for construction. DOE's minor construction authority is not available for use by other Federal agencies.

III.D. Execution of Reimbursable Work

III.D.1. Period of Performance

DOE officials and contractors executing Federal reimbursable agreements must monitor and perform work within the period of performance defined by the reimbursable work agreement. The period of performance must be determined by the Requesting Federal Agency to be consistent with the Requesting Federal Agency's funds availability, including the *bona fide* needs determination made by the Requesting Federal Agency.

OMB may utilize a DOE no-year account when executing a reimbursable work agreement. However, executing customer time-limited funds in a DOE no-year account does not change the period of availability of the customer funds. For example, if DOE and another agency enter into a reimbursable agreement with one-year money from the customer and DOE applies the work to reimbursable authority in a no-year account, the period of availability does not change, and the funding must be treated as one-year funding by DOE.

If DOE officials identify concerns relating to the period of availability or *bona fide* needs of a requested reimbursable work agreement, DOE officials may request a written *bona fide* needs

determination from the Requesting Federal Agency prior to approving DOE's performance of the reimbursable work agreement.

III.D.2. Timing Differences Between Outlays and Collections

For Federal customers, there is generally a timing difference between the outlay of funds by DOE and the reimbursement made by the Federal customer. Outlays may be made by DOE when supported by a receivable from another Federal agency.

When a Treasury Appropriation Fund Symbol (TAFS) is established for reimbursable work without a fund balance (or in a TAFS with a low fund balance), outlays may be made in advance of reimbursement by the Federal customer when supported by a receivable from another Federal agency. This may result in a temporary negative fund balance with Treasury due to timing differences; however the temporary negative balance does not constitute an over-expenditure or over-obligation of funds at the Federal entity level.

III.D.3. Deobligation of Funds for Work Accepted under the Authority of the Economy Act

The Economy Act requires that DOE obligate funds provided to DOE for reimbursable work prior to the expiration of the period of availability of those funds as specified by the appropriation of the Requesting Federal Agency. Funds not obligated by DOE prior to the expiration of the period of availability must be de-obligated by the Requesting Federal Agency. DOE shall provide timely notification to the Requesting Federal Agency regarding the amount of funds to be de-obligated.

III.D.4. Cancellation of Requesting Federal Agency Funds

Generally, Federal appropriated funds are cancelled and unavailable for expenditure five years after the period of availability for incurring obligations, per 31 USC 1552(a).

It is the responsibility of the Requesting Federal Agency to define a period of performance for the requested reimbursable work that is consistent with the agency's authority to expend its appropriated funds, and DOE should execute the agreement consistent with the period of performance defined by the Requesting Federal Agency.

When an agency's funds are cancelled, they no longer represent a valid funding source and must be de-obligated. For any amounts owed and unpaid when the original funds are cancelled, the Requesting Federal Agency must provide funds from a currently available appropriation. The cancellation of customer

funds does not relieve the customer agency of obligations to pay amounts owed to DOE.

IV. REIMBURSABLE WORK FOR NON-FEDERAL CUSTOMERS

IV.A. Authorities

DOE must have specific authority to perform reimbursable work for non-Federal customers. Authorities for DOE to perform reimbursable work for non-Federal customers are listed in Section X of this chapter.

The most common authorities for performing reimbursable work for non-Federal customers are:

IV.A.1. Atomic Energy Act (42 USC 2053)

This authority is applicable to most non-Federal SPP work.

IV.A.2. Stevenson-Wydler Technology Innovation Act of 1980 (15 USC 3710)

This authority is applicable to Cooperative Research and Development Agreements (CRADAs), as implemented by DOE Order 483.1C, or a successor policy.

IV.A.3 Contributed Funds Agreements (42 USC 7278)

This is the authority generally cited by the National Energy Technology Laboratory (NETL), and may also be applicable to other reimbursable work situations.

IV.A.4. Contributed Funds Act of 1921 for the Western Area Power Administration (43 USC 395)

This authority applies to most reimbursable work performed by the Western Area Power Administration but is not applicable to other DOE organizations.

IV.A.5. Additional Specialized Authorities

Other specialized authorities for reimbursable arrangements with states, local, and tribal governments are specified in section X.

IV.B. Budgetary and Financial Requirements

IV.B.1. General

The reimbursable work that DOE provides for a customer is part of the customer's mission and not DOE's direct mission. Reimbursable work for non-Federal entities must be financed by advance payments from the customer except as provided by Section IV.B.6 of this chapter. The advance payments constitute the budget resource for performing the work to ensure that DOE funds are not used to support a non-DOE mission. Funds-in Cooperative Research and Development Agreements (CRADAs)

are subject to the same financial requirements as other non-Federal reimbursable work.

Non-Federal entities requesting work from DOE that is partially or wholly funded through a DOE or other Federal agency contract or financial assistance agreement are considered non-Federal customers for the purposes of this policy. Such customers must follow all requirements for advance payments specified in this chapter and other applicable requirements.

IV.B.2. Reimbursable Authority

DOE must obtain reimbursable authority in advance of performing reimbursable work. Reimbursable authority is obtained through an apportionment from OMB. Consistent with the provisions of DOE Order 130.1B, allotments of reimbursable authority are provided to the cognizant DFO by the CFO. The CFO Office of Budget provides annual guidance on the process and requirements for requesting apportionments of reimbursable authority.

IV.B.3. Budgetary Resource

For non-Federal customers, a budgetary resource is provided by the reimbursable agreement and the advance payment(s) received for unfilled orders.

IV.B.4. Full Funding Requirement Threshold

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 90 days or less. Advance payment collections are to be processed in accordance with cash collection requirements as prescribed in Chapter 13.2 of DOE's Financial Management Handbook.

IV.B.5. Funding for Reimbursable Work over Threshold

For reimbursable agreements that have an estimated cost greater than $25,000 and whose period of performance exceeds 60 days:

IV.B.5.i. DOE shall obtain, prior to performing any work, reimbursable authority and a budgetary resource (advance payments, with exceptions noted in Section IV.B.6 of this chapter) sufficient to cover the anticipated work that will be performed during the first billing cycle. A billing cycle is the period of time between billings, usually 30 days. The billing cycle is complete when the customer is billed for services rendered.

IV.B.5.ii. 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 contractors, the DFO can approve exceptions to this requirement with the goal of reducing the advance payments required by non-Federal customers.

IV.B.5.iii. DFOs may require additional advance payment amounts to account for estimated termination costs or other costs as appropriate for individual agreements.

IV.B.6. Exceptions to the Requirement for Advances from Non-Federal Customers

IV.B.6.i. The DFO may approve exceptions to the normal advance funding requirement. These exceptions could include a blanket waiver for a contractor or waivers for individual projects. For all such waivers, the cognizant DFO must certify that billing and payment procedures are adequate to allow for a shorter advance requirement without costs exceeding available budgetary resources and provide the HQ CFO with a 10-business day advance notification, using the templates included on the CFO Financial Direction information page.

All exceptions granted by DFOs shall be reviewed annually and recertified as applicable. DFOs shall notify the CFO Office of Financial and Audit Management (CF-20) of recertification decisions no later than November 1st of each new fiscal year.

IV.B.6.ii. The contractor performing reimbursable work for DOE may choose to provide DOE with corporate funds to meet the customer's advance payment requirements.

IV.B.6.iii. When permitted by specific law, exceptions exist for 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 USC 3373 and the detail of employees to international organizations according to 5 USC 3343.

IV.B.6.iv. If a State, local, or tribal government or international organization (as defined by 22 U.S.C. 288) is prohibited by law or policy from advancing funds for reimbursable work, the Cost of Work (WN)[iii] Program under the Departmental Administration appropriation may be used for required advance payments. The CFO Office of Budget provides annual guidance on the process and

requirements for requesting apportionments for the Cost of Work (WN) Program. The availability of the Cost of Work (WN) Program funds is dependent upon the request, OMB apportionment, and DOE allotment.

IV.B.6.v. With work funded by Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards described under Section IV.C. 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.

IV.B.6.vi. If specified in the contract or authorized by the Contracting Officer, contractors may continue work on a project for a limited time without an advance from the customer to maintain project continuity if the contractor chooses to provide interim funding, or sometimes referred to as bridge funding, from the contractor's corporate funds.

All the following conditions must be met for such arrangements:

- The sponsor provides assurance of funding within a specific time;
- The contractor provides the funds for the work and assumes liability for any costs (including overruns) should funds not be received from the customer; and
- The contractor retroactively charges the costs of such work to the sponsor.

The Contracting Officer shall document the file evidencing agreement to these conditions.

IV.B.7. Federal Administrative Charge Collections

FAC is a legally-mandated fee charged to the reimbursable work agreement. DOE policy regarding collection of FAC is contained in DOE Order 522.1B, *Pricing of Departmental Materials and Services*. Some customers are not charged FAC, as specified in DOE Order 522.1B.

Collections of FAC should be made into a separate Treasury Account Symbol. The Departmental Element that records the non-Federal Strategic Partnership Projects (SPP) accounting transaction must ensure the separate collection of FAC into the Treasury Account Symbol 0895228.001.

IV.C. Specific Requirements for Work Funded through Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards

IV.C.1. 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 USC 638), *Advance Payment*).

IV.C.2. 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 offices and contractors that accept work sponsored by SBIR and STTR recipients must have procedures in place that:

IV.C.2.i. Identify sponsors who are paying for work performed with SBIR or STTR awards made by any Federal agency;

IV.C.2.ii 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

IV.C.2.iii Ensure that no DOE funds are used to pay for third party work performed at the labs (except for the Cost of Work (WN) Program funding as described below).

IV.C.3. Responsibility

The cognizant DFO for any contractor or office accepting work from SBIR or STTR recipients is responsible for ensuring that payment and collection procedures meet all of these requirements.

IV.C.4. Use of the Cost of Work (WN) Program Funding

Available funds under the Cost of Work (WN) Program under the Departmental Administration appropriation may be used for work funded by SBIR and STTR grants.

V. EMERGENCY REIMBURSABLE WORK

V.A. Overview

This Section provides guidance on procedures and authorities that may be used for performance of reimbursable work under emergency circumstances.

V.B. Authority

V.B.1. National Emergencies declared by the President consistent with the provisions of 50 USC 1431 et seq. 50 USC 1431-1435 grants the President the authority to authorize any agency which exercises functions in connection with the national defense to enter into contracts or into amendments or modifications of contracts without regard to other provisions of law relating to the making, performance, amendment, or modification of contracts.

V.B.2. 42 USC 5121-5206, Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), which provides authority for the Federal Emergency Management Agency (FEMA) to request work from DOE to address national emergencies.

V.B.3. General reprogramming authority provided to the Department through annual appropriation acts. The general reprogramming authority permits the Department to use current appropriations to conduct emergency work for non-Federal entities before the President declares an emergency in certain situations.

V.C. Budgetary and Financing Requirements

V.C.1. Emergency Work Performed for FEMA

Reimbursement may be provided from the FEMA Disaster Relief Fund for Stafford Act Emergencies. The Director of FEMA, acting for the President, is authorized by the Stafford Act to coordinate the Federal government's disaster relief efforts. Like other work performed for Federal sponsors, no advance payment is required for work performed for FEMA.

V.C.2. Emergency Work Performed for Non-Federal Entities

Available budget authority under the Cost of Work (WN) Program under the Departmental Administration appropriation may be used for required advance payments when performing emergency reimbursable work for non-Federal entities. The emergency requiring use of the Cost of Work (WN) Program must be documented in writing by the DFO.

V.C.3. Emergency Work Conducted under DOE Reprogramming Authority

This process will be used when no other authority is provided for emergency reimbursable work.

V.C.3.i. Emergency work will require approval by the Office of General Counsel (GC) and the CFO Office of Budget. The Head of a Departmental Element, DFO, or Site Office Manager (if applicable) must initiate the request to allow the use of DOE funds to support the emergency work.

V.C.3.ii. Once approval is provided, emergency work may begin immediately while the formal written request is prepared. The formal written notification of the emergency request must be provided by the Site Office, DFO, or Head of a Departmental Element to the CFO Office of Budget within two days after work begins. The formal notification must include a description of the circumstances that caused the emergency and information used to determine that the occurrence meets the definition of Emergency Work.

V.C.3.iii. Additionally, offices must follow up by completing normal reprogramming procedures (internal or formal) consistent with current CFO reprogramming guidance. Even though the Department has general authority to conduct reprogramming for emergencies, each year different thresholds are usually provided for reprogramming that can be conducted internally within DOE versus those that require Congressional approval.

VI. AGREEMENTS FOR COMMERCIALIZING TECHNOLOGY

VI.A. Overview

Agreements for Commercializing Technology (ACT) differ from other types of reimbursable work as they allow DOE contractors to execute agreements with third parties in the contractor's private capacity for work to be performed at a DOE site or laboratory. For such agreements, the contractor may assume financial and performance risk in return for financial consideration from the third-party sponsor of the work. This financial consideration (contractor margin) is individually negotiated between the contractor and the third-party sponsor.

ACT work may be performed pursuant to the Atomic Energy Act of 1954, as amended (42 USC 2011 et seq.) with the approval of the Department. Not all DOE sites or laboratories are participating in the ACT program. ACT work is limited to sites and laboratories with contracts that include the ACT clause.

VI.B. Costs

VI.B.1. General

Under ACT, the Department is not a party to any agreements between the contractor and the third-party sponsor of the work. Thus, from the perspective of the Department, the 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(s). All ACT costs will be paid by the contractor through normal DOE payment procedures but must be paid in advance by the contractor according to the procedures set out in this chapter.

VI.B.1.i. Unique Costs for ACT Projects

The cost of ACT projects may include direct costs unique to ACT projects that would not be incurred for other non-Federal reimbursable work, such as taxes and insurance. These costs can be paid through DOE contracts for approved ACT projects.

VI.B.1.ii. Allocation of Indirect Costs

All costs normally allocable to non-Federal reimbursable work (except for contract award fees) are allocable to ACT projects, including all allocable indirect site expenses and Lab, Plant, or Site-directed research and development (LDRD, PDRD, or SDRD). 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.

VI.B.1.iii. Federal Administrative Charge (FAC)

Consistent with full-cost recovery, 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 monthly. The basis for calculating the FAC is the total ACT cost excluding contractor margin.

VI.B.1.iv. Costs Not Payable Under the DOE Contract

- 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.

- The Contractor's Assumption of Financial and Performance Risk
  Any expenses incurred by the contractor resulting from the contractor's decision to assume financial and performance risk for ACT work shall be borne solely by the contractor and are not payable 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 third party), and the cost of repair to equipment or facilities damaged during the performance of ACT work (unless paid in advance by the contractor).

VI.C Reimbursable Budgetary Resources and Obligational Authority

VI.C.1. General

Funds-in ACT are subject to the same budgetary resource (advance payment) and reimbursable authority requirement as other non-Federal reimbursable work, recognizing that the ACT program is considered one reimbursable program with the 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 authority.

VI.C.2. Initial Requirements

Before ACT work can begin, funds must be obligated through a contract modification against a valid budgetary resource (advance payment from contractor), and obligational authority must be provided through an allotment. A valid budgetary resource exists only when the contractor has provided an advance payment. At no time will the cost of ACT work exceed funds obligated for that work.

VI.C.3. Advance Payment Requirement

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 reimbursable work, unless

approved for excepted advance payment procedures by the cognizant DFO. Because the 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 it exists for other non-Federal reimbursable work.

VI.C.4. Excepted Payment Procedures for Individual Contractors

The contractor can propose alternative advance payment processes for approval by the cognizant DFO. For such exceptions, the cognizant DFO must certify that the 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 contractor provides sufficient advance funding to cover the payments. Any alternate advance payment process must ensure that DOE does not spend its appropriated funds for ACT work, even on a temporary basis.

When providing authorization for excepted payment procedures, the DFO must provide the Office of the CFO with a 10-business day advance notification using the templates maintained on the CFO Financial Direction information page. All waivers granted by cognizant DFOs shall be reviewed annually and recertified as applicable. DFOs shall notify the CFO Office of Financial and Audit Management (CF-20) of recertification decisions no later than November 1st of each new fiscal year.

VI.D. Accounting for ACT Obligations, Costs, and Payments

Because ACT agreements are between a 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 required to maintain these controls.

VI.D.1. Segregation of ACT Costs and Payments

The 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.

VI.D.2. Accounting Guidance

Obligations to support ACT work should be made in aggregate for individual 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 Work For Others (WFO) code designated for each contractor, as determined by the CFO Standard Accounting and Reporting System (STARS) team to track ACT work. 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 contractor request otherwise (including separate memorandum reporting), meeting this request is at the discretion of the relevant DFO.

VI.D.3. Reporting

Applicable reporting requirements are included in the ACT contract provisions. Contractors will provide information on ACT projects to their cognizant DFO as necessary to facilitate monitoring and oversight.

VII. REIMBURSABLE PERSONNEL DETAILS

VII.A. Authorities for Reimbursable Personnel Details

VII.A.1. The Economy Act (31 USC 1535)

Provides general authority for reimbursable details of Federal employees to other Federal agencies. More specific authorities may apply (see VI.A.4 and VI.A.5, and the table in section X of this chapter).

VII.A.2. The Intergovernmental Personnel Act of 1970 (5 USC 3371-3376), as implemented by 5 CFR 334

This authority provides for the assignment of personnel between Federal, state, local, and Indian tribal governments; institutions of higher education; and other approved and eligible organizations.

VII.A.3. The Federal Employees International Organization Service Act (5 USC 3343)

This authority allows DOE to detail employees to approved international organizations where it is determined to be in the national interest on either a reimbursable or non-reimbursable basis.

VII.A.4. Department of Energy Research Assistance (42 USC 5816(f))

Allows for reimbursable use of personnel by other Federal agencies.

VII.A.5. Government Employees Training Act (GETA) of 1958 (5 USC 4104)

Allows agencies to perform reimbursable work for other Federal agencies (in the form of providing training) on a reimbursable basis for specific circumstances.

VII.B. Financial Policy

Collections received for the following shall be returned to DOE and treated as reimbursements 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 contractors operating Federally Funded Research and Development Centers (FFRDCs) 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 reimbursements to the appropriation(s) bearing the expense.

Reimbursable personnel details authorized by the Intergovernmental Personnel Act shall conform with DOE Manual 321.1-1*, Intergovernmental Personnel Act Assignments*. Overseas assignments shall conform with DOE Order 313.1, *Management and Funding of the Department's Overseas Presence*.

VIII. PROCESSING INTERAGENCY AGREEMENTS

VIII.A. General Policy and Requirements

VIII.A.1. Use of G-Invoicing System

The Department of Energy uses the G-Invoicing System, developed and maintained by the Department of Treasury (Treasury), for buy-sell transactions[iv] relating to interagency reimbursable work agreements. Interagency reimbursable work agreements are arrangements among Federal entities that include both funds-in (DOE as the Servicing Agency or Seller) and funds out agreements (DOE as the Requesting Agency or Buyer). The G-Invoicing system contains the data elements and requires the approvals indicated on Treasury Forms 7600A (General Terms and Conditions) and 7600B (Orders).

When DOE is the Requesting Agency or buyer, orders are processed through the Buyer Work Center, a module of STARS that is maintained by the Office of CFO and that interfaces with other DOE financial systems and with G-Invoicing.

VIII.A.2. Exceptions to Use of G-Invoicing

Approved exceptions to use of the G-Invoicing system for Interagency Agreements are:

VIII.A.2.i. When the other Federal agency partner is unable to use the G-Invoicing system for agreements with DOE.

VIII.A.2.ii. When use of G-Invoicing would risk disclosure of sensitive or classified information.

VIII.A.2.iii. When Treasury guidance allows for specific exemptions.

VIII.A.3. Applicability of Treasury Guidance

DOE will follow Department of Treasury guidance applicable to the G-Invoicing system, including Appendix 8 of Chapter 4700 of the *Treasury Financial Manual*, unless a more specific policy or guidance is provided in the Financial Management Handbook or in DOE Procurement policies.

VIII.A.4. Power Marketing Administrations and Federal Energy Regulatory Commission

The Power Marketing Administrations (PMAs) and the Federal Energy Regulatory Commission (FERC) do not use the DOE accounting system (STARS) and must maintain separate agency profiles in the G-Invoicing system and review system user roles for compliance with this policy.

VIII.A.5. Direct Purchases by DOE Contractors from Other Federal Agencies

Direct purchases by DOE contractors from other Federal agencies do not need to be processed as Interagency Agreements when the other Federal agency accepts orders directly from non-Federal entities and the purchase amount is small enough (under $10,000) that the transaction will not have a material impact on interagency accounting.[v]

Contractor purchases must be compliant with the contractor's purchasing system approved in accordance with Part 44 of the Federal Acquisition Regulations (48 CFR 44).

VIII.B. Processing G-Invoicing Orders when DOE is the Requesting Agency (Buyer)

VIII.B.1. General Requirement

Orders where DOE is the Requesting Agency (buyer) are not processed directly in G-invoicing. Such orders are processed

through the Buyer Work Center.

To place an order through the Buyer Work Center, the cognizant DFO organization must first create a requisition in the STARS Requisition module and select the option to reserve the funds so that a commitment of funds is recorded. The new requisition will then automatically populate in Buyer Work Center.

There may be a time lag between DOE's approval of the order and acceptance of the order by the performing agency. Recording the commitment ensures that funds are reserved pending the actual obligation of funds, which occurs when the performing agency accepts the order.

The CFO Office of Finance and Accounting serves as the DFO for any offices without a specific DFO.[vi]

VIII.B.2. Departmental Element Responsibilities for Processing Orders

The Departmental Element initiating the funds out order must provide the following to the DFO organization entering agreements into the Buyer Work Center:

VIII.B.2.i. Approval of Funding

Funding must be approved by a Program Budget Official. Approval of funding is indicated by the Program Budget Official's approval of the order (7600B); see paragraph VIII.C.3.ii and section VIII.C.5 of this policy. Approval of funding by the Program Budget Official must be verified prior to processing the order and must also contain the specific DOE accounting citation(s) for the funds used.

VIII.B.2.ii. Program Official Approval

The "Program Official" (box 125 of Treasury form 7600B) may be a Contracting Officer for assisted[vii] acquisitions (see Paragraph VIII.C.2.ii of this policy); a Real Estate Contracting Officer for real estate transactions (see Section VIII.C.4 of this policy); or a Federal Approving Official for transactions other than assisted acquisitions and real estate (see Paragraph VIII.C.1.ii of this policy).

VIII.B.2.iii. Order-Specific Information

The Departmental Element should provide additional order-specific information required to process the order. This information may be provided on a Treasury form 7600B.

VIII.C. Roles and Responsibilities for Approving Interagency Agreements

VIII.C.1. Federal Approving Officials

(See Section II.C of this chapter for guidance regarding federal office responsibilities for reimbursable work for other Federal agencies.)

The approving official for Interagency Agreements must be a Federal official assigned by the Departmental Element to approve Interagency Agreements. Consistent with the provisions of Acquisition Letter 2022-04,[viii] Departmental Elements may designate Contracting Officers to serve as an Approving Official for Interagency Agreements.

Federal Approving Officials are responsible for the following:

VIII.C.1.i. Initial and Final approvals for General Terms and Conditions (GT&C) (equivalent to boxes 26 and 27 of Treasury Form 7600A) when DOE is either the Servicing Federal Agency (Seller) or the Requesting Federal Agency (buyer). This includes the following G-Invoicing roles: Requesting GT&C Initial Approver; Requesting GT&C Final Approver; Servicing GT&C Initial Approver; and Servicing GT&C Final Approver.

VIII.C.1.ii. Program Official approval for Orders (equivalent to box 125 of Treasury Form 7600B) in which DOE is the Requesting Federal Agency (buyer) and the order is not for an assisted acquisition, as defined by Federal Acquisition Regulations subpart 17.5 (48 CFR Subpart 17.5) or a real estate transaction. These orders are not processed directly in G-Invoicing as specified in VIII.B.1 of this policy.

VIII.C.2 Contracting Officers

As specified in Acquisition Letter 2022-04, Contracting Officers serve as the “Program Official” (equivalent to box 125 of Treasury Form 7600B) for the following:

VIII.C.2.i. Orders when DOE is the Servicing Federal Agency (Seller) and the work will be performed by DOE contractors, including SPP and Department of Homeland Security Agreements performed by contractors. The relevant G-Invoicing user role is Servicing Order Program Official Approver.

VIII.C.2.ii. Orders placed with other agencies for assisted acquisitions, as defined by Federal Acquisition Regulations subpart 17.5 (48 CFR Subpart 17.5).

Orders where DOE is the Requesting Agency are not processed directly in G-invoicing as specified in VIII.B.1 of this policy.

VIII.C.3. Funding Officials for Approval of Orders

VIII.C.3.i. Funding Official—When DOE is the Servicing Agency (Seller)

Funding Officials are assigned by the DFO. The "Funding Official" certifies funds availability to start the work, and to bill, collect, and properly account for funds when DOE is the Servicing Federal Agency or Seller (equivalent to box 124 of Treasury form 7600B). The relevant G-Invoicing user role is Servicing Order Funding Official Approver.

VIII.C.3.ii. Program Budget Official —When DOE is the Requesting Agency (Buyer)

Program Budget Officials are officials designated by the Budget Execution Officer in accordance with Paragraph 5.d.(6) of DOE Order 130.1B.

The Program Budget Official(s) obligates funds for orders when DOE is the Requesting Federal Agency or buyer and serves as the "Funding Official" for approval of the agreement (box 124 of Treasury form 7600B).

Orders where DOE is the Requesting Agency are not processed directly in G-invoicing as specified in Section VIII.B.1 of this policy.

VIII.C.4 DOE Real Estate Contracting Officer

Real Estate Contracting Officers are appointed consistent with the requirements of DOE Order 430.1C, *Real Property Asset Management*.

Real Estate Contracting Officers serve as the Approving "Program Official" (equivalent to box 125 of Treasury form 7600B) for all real estate transactions when DOE is either the Requesting Federal Agency (buyer) or Servicing Federal Agency (Seller). The relevant G-Invoicing user roles are Requesting GT&C Final Approver, Servicing GT&C Final Approver, and Servicing Order Program Official Approver.

Orders where DOE is the Requesting Agency are not processed directly in G-invoicing as specified in Section VIII.B.1 of this policy.

VIII.C.5. Summary Tables—DOE Officials and Associated G-Invoicing and Treasury 7600 Roles

	G-Invoicing/Treasury 7600 Approval Role	DOE Official
DOE as Requesting Agency (Buyer)	Requesting GT&C Initial Approver	Federal Approving Official
	Requesting GT&C Final Approver	• Federal Approving Official, OR • Real Estate Contracting Officer (real estate transactions),
	Requesting Order Funding Official Approver	Program Budget Official
	Requesting Order Program Approver	• Contracting Officer (assisted acquisitions), OR • Real Estate Contracting Officer (real estate transactions), OR • Federal Approving Official (transactions other than assisted acquisitions and real estate transactions)

	G-Invoicing/Treasury 7600 Approval Role	DOE Official
DOE as Servicing Agency (Seller)	Servicing GT&C Initial Approver	Federal Approving Official
	Servicing GT&C Final Approver	• Federal Approving Official, OR • Real Estate Contracting Officer (real estate transactions)
	Servicing Order Funding Official Approver	Funding Official
	Servicing Order Program Official Approver	• Contracting Officer (work performed on a DOE contract), OR • Real Estate Contracting Officer (real estate transactions)

VIII.D. Recertification of Federal Officials for Approving Interagency Agreements

VIII.D.1. Annual Process

The Office of Finance and Accounting will provide annual reports of all Federal Officials with approval authority in G-Invoicing to Departmental Elements for recertification, starting in September 2022. Recertifications of the G-Invoicing by the Departmental Elements will be required on an annual basis starting in fiscal year 2023.

VIII.D.2. Departmental Element Recertification Process

Recertifications must be provided to the CFO Office of Finance and Accounting by the DFO or the Budget Execution Officer (for Departmental Elements without a DFO). The DFO should consult with their cognizant Head of Contracting Activity when establishing or reviewing G-Invoicing approval roles.

When recertifying G-invoicing roles, the Departmental Element should consider compliance with this policy and DOE Acquisition Letter 2022-04.

VIII.D.3 Process for the PMAs and FERC

The PMAs and FERC must recertify their G-Invoicing users annually and must maintain those recertification reports and records locally.

IX. DEFINITIONS

IX.1. Acceptance
The official signing of a reimbursable agreement by an authorized cognizant DOE/NNSA Contracting Officer or a Federal official with delegated authority to commit DOE/NNSA to perform reimbursable work or Interagency Agreements.

IX.2. Advance Payments
Advance payments made to DOE are amounts of money paid to DOE before the Department provides goods, services, or other assets to others.

IX.3. Buyer Work Center
A module of the DOE accounting system (STARS) that is maintained by the OCFO and that interfaces with other DOE financial systems and with G-Invoicing.

IX.4. Emergency Work
Any situation involving the protection of life, Federal lands, buildings, or equipment; law enforcement; disaster assistance; and the production and

maintenance of the power distribution system. Section V of the chapter provides specific information on policies for conducting emergency work.

IX.5. Funding
A term used throughout the chapter to describe the level of budgetary resources required from Federal and non-Federal customers.

IX.6. Form 7600A
Department of Treasury form used to record the General Terms and Conditions (GT&Cs) for an interagency agreement. The content of form 7600A is included in Treasury's G-Invoicing system.

IX.7. Form 7600B
Department of Treasury form used to record an interagency order. The content of form 7600B is included in Treasury's G-Invoicing system.

IX.8. Funds-in Agreements
Work performed by DOE for a non-DOE entity. As reflected in the forms 7600A and 7600B, DOE serves as the "Servicing Agency" or "Seller."

IX.9. Funds-out Agreements
Work performed by another Federal agency that is reimbursed by DOE. As reflected in the forms 7600A and 7600B, DOE serves as the "Requesting Agency" or "Buyer."

IX.10. Reimbursable Agreement
A written agreement required to perform work or provide a service for another Federal agency (including the Department of Homeland Security) or a non-Federal customer.

Types of reimbursable work agreements include:

IX.10.i. Interagency Agreement
Interagency Agreements include both SPP performed for Federal entities and Homeland Security agreements. Interagency Agreements are executed using the Department of Treasury G-Invoicing system, which automates interagency agreement processing and includes the relevant content from Treasury Forms 7600A and 7600B.

SPP with other Federal entities to perform work are executed under the provisions of the Atomic Energy Act (DOE Order 481.2A, *Strategic Partnership Projects (Federal))* or any successor policy, and DEAR 970.1707 (48 CFR 970.1707).

Homeland Security Agreements are reimbursable work with the Department of Homeland Security conforming to the requirements specified in DOE Order 484.1A, *Reimbursable Work for Department of Homeland Security*, or any successor policy. Homeland Security Agreements are executed using the

Department of Treasury G-Invoicing system, which incorporates Treasury Form 7600.

IX.10.ii. Strategic Partnership Project Agreements with Non-Federal Sponsors

Agreements with non-Federal entities to perform work that are executed under the provisions of DOE Order 481.1F, or a successor policy.

IX.10.iii. Agreements for Commercializing Technology

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.

IX.10.iv. Contributed Funds-in Agreement

An agreement between the Federal government and a public or private sector participant to perform projects in accordance with the authority granted under 42 USC 7278. 42 USC 7278 provides Government-Owned, Government-Operated (GOGO) labs or other DOE/NNSA Federal organizations with a means to accept and retain funds from a public or private source in order to perform projects in cooperation with other Federal, State, or private entities.

However, this authority does not provide GOGO labs with any specific authority to negotiate rights to intellectual property developed under the agreement. Contributed Funds-in Agreements are subject to the same budgetary resource and advance-payment requirements as other reimbursable agreements. These agreements follow the accounting requirements in section II of this chapter; excluding direct references to DOE Order 481.1F.

IX.10.v. Cooperative Research and Development Agreement (CRADA)

Any agreement between one or more Federal facilities and one or more non-Federal parties under which the Government (through its facilities) provides personnel, services, facilities, equipment, intellectual property, or other resources with or without reimbursement (but not funds to non-Federal parties) and the non-Federal parties provide funds, personnel, services, facilities, equipment, intellectual property, or other resources toward the conduct of specified research or development efforts which are consistent with the mission of the facility.

The authority for CRADAs is the Stevenson-Wydler Technology Innovation Act of 1980, Public Law 96-480 (15 USC 3701 et

seq.). Additional DOE policy for CRADAs is specified in DOE Order 483.1C, *DOE Cooperative Research and Development Agreements,* or any successor policy.

IX.11. Reimbursable Authority
Authority to incur obligations in accomplishing reimbursable work when a valid budgetary resource (either a reimbursable agreement from a Federal customer or an advance from a non-Federal customer) is available.

Reimbursable authority is acquired by obtaining an apportionment from the OMB and a subsequent allotment from the DOE CFO consistent with the current Administrative Control of Funds policy contained in Chapter 2 of the Financial Management Handbook.

IX.12. Reimbursable Work
Work or services performed for another Federal or non-Federal customer with the cost of performing the work reimbursed by the 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 and/or their contractors are financed by the funds of the Requesting Federal Agency or by advances from a non-Federal customer.

Reimbursable work performed by DOE for others is considered to be part of the customer's direct mission responsibility and not the Department's.

X. Summary of Identified DOE Reimbursable Work Authorities

Authority	Scope of Work	Type of Customer
Atomic Energy Act of 1954 **42 USC 2053**	"Research and development or training activities and studies" as implemented in DOE Orders 481.1F and 481.2A, or successor policy.	Federal and Non-Federal Entities
Economy Act **31 USC 1535**	Broad authority for agencies to place orders with other agencies when "ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise.	Federal Entities
Department of Energy Organization Act of 1977 **42 USC 7256**	Authority "to enter into and perform such contracts, leases, cooperative agreements, or other similar transactions with public agencies and private organizations and persons"	Federal and Non-Federal Entities

Authority	Scope of Work	Type of Customer
Intergovernmental Personnel Act of 1970 **5 USC 3371-3376**	Assignment of Federal personnel to Universities, State, Tribal, and Local Governments, Nonprofit organizations, and Federally-Funded Research and Development Centers (FFRDCs), as implemented by DOE Manual 321.1-1, or successor policy.	Universities, State and Local Governments, Tribal Governments, Nonprofit organizations, and Federally-Funded Research and Development Centers (FFRDCs)
The Intergovernmental Cooperation Act of 1968 **31 USC 6505**	"Statistical and other studies and compilations, development projects, technical tests and evaluations, technical information, training activities, surveys, reports, documents, and other similar services that an executive agency is especially competent and authorized by law to provide"	State or Local Government
Contributed Funds Act of 1921 for the Western Area Power Administration **43 USC 395**	Applies only to the Western Area Power Administration	Non-Federal Entities
Foreign Assistance Act of 1961 **22 USC 2392**	Permits DOE to "furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with and approved by the Agency for International Development."	Department of State and the U.S. Agency for International Development (USAID)
Homeland Security Act of 2002 **6 USC 189**	Work performed by DOE "national laboratories and sites" for the Department of Homeland Security, as implemented by DOE Order 484.1A, or a successor policy.	Department of Homeland Security only

Authority	Scope of Work	Type of Customer
Contributed Funds Agreements for Government-operated facilities **42 USC 7278**	Provides authority to accept and retain funds from a public or private source in order to perform projects in cooperation with other Federal, State or private entities. The authority is cited by the National Energy Technology Laboratory (NETL) for its reimbursable work.	Federal & Non-Federal Entities
Stevenson-Wydler Technology Innovation Act of 1980 **15 USC 3710**	Authority applicable to Cooperative Research and Development Agreements (CRADAs), as implemented by DOE Order 483.1C, or a successor policy.	Non-Federal Entities
Department of Energy (DOE) Research Assistance **42 USC 5816(f)**	Allows for reimbursable use of personnel.	Federal Entities (limited application)
Government Employees Training Act (GETA) of 1958 **5 USC 4104**	Allows agencies to perform work (in the form of providing training) on a reimbursable basis for specific circumstances.	Federal Entities (limited application)
Tennessee Valley Authority (TVA) Electricity **16 USC 831h-1**	Applies only to TVA.	TVA activities (limited application)
Robert T. Stafford Disaster Relief and Emergency Assistance Act **42 USC 5147**	Allows agencies to do work for the disaster preparedness program established by the President.	Federal Entities (limited application)
Federal Employees International Organization Service Act **5 USC 3343**	Permits the assignment of DOE personnel to international organizations on a reimbursable basis.	International Organizations

[i] The Bonneville Power Administration is governed by provisions of the Government Corporation Control Act and is exempt from the *DOE Financial Management Handbook* consistent with paragraph 3.e.(3) of DOE Order 520.1C (or successor policy).
[ii] See DOE Order 412.1A, Work Authorization System, and 48 CFR 970.5211-1.
[iii] "WN" is commonly used to describe cost of work program funding. Cost of work funding is provided annually as part of the Departmental Administration appropriation. WN is the first two characters of the legacy Budget & Reporting (B&R) accounting code used for cost of work funding. Funding for the cost of work program was labeled as "Strategic Partnership Projects (SPP)" within the Departmental Administration section of the joint explanatory statement accompanying the FY 2026 appropriation.
[iv] Reimbursable activity in which goods or services are transferred between two Federal Program Agencies (FPAs) is referred to as Buy/Sell activity (Definition contained in Appendix 8 of Chapter 4700 of the Treasury Financial Manual)
[v] The materiality threshold is consistent with the general micro-purchase threshold defined in the Federal Acquisition Regulations (48 CFR 2.101) and in effect as of August 2022.
[vi] Paragraph 5.c.(3) of DOE Order 520.1C.
[vii] An "assisted acquisition" is a "type of interagency acquisition where a servicing agency performs acquisition activities on a requesting agency's behalf, such as awarding and administering a contract, task order, or delivery order" (FAR 2.101).
[viii] DOE Acquisition Letter 2022-04, *Interagency Acquisitions and Strategic Partnership Projects (Resulting from Interagency Agreements with Other Agencies) in G-Invoicing (Guidance for Head of Contracting Activity and Contracting Officers)*

SUBJECT: OCTOBER 2026 UPDATE TO CHAPTER 13.1, REIMBURSABLE WORK AND PROCESSING INTERAGENCY AGREEMENTS

1. EXPLANATION OF CHANGES. These changes add new content on appropriation transfers as a potential alternative to reimbursable work that other Federal agencies can use to fund work by DOE. The chapter also now includes a table comparing and contrasting appropriation transfers and reimbursable work. The changes also provide overview information on reimbursable work such as types of work and key criteria that should be met before any work begins.

2. LOCATIONS OF CHANGES: Substantive changes made throughout the document are summarized in the following chart.

Page	Section	Section Title	Summary
13.1-3	I.B.6.	Exclusions	As discussed below, Section I.D. provides new content introducing appropriation transfers as a potential alternative to reimbursable work. Adding I.B.6. to clarify that Chapter 3.1 of the Financial Management Handbook is the appropriate source for guidance on processing appropriation transfers, not this chapter.
13.1-4	I.D.	Appropriation Transfers (Non-Expenditure Transfers)	Section I.D. is a new section introducing appropriation transfers as a potential alternative to reimbursable work that other Federal agencies can use to fund work by DOE. The new content discusses when an appropriation transfer may be the preferred option and provides a table contrasting appropriation transfers versus reimbursable work.
13.1-6	II.A.	Types of Reimbursable Work	Previously, section II started with a discussion of funding for reimbursable work. Section II.A. is a new introductory section to first identify the different types of reimbursable work.
13.1-6	II.B.	Authorization to Perform Reimbursable Work	Previously, section II started with a discussion of funding for reimbursable work. Section II.B. is a new section on the earlier step of ensuring reimbursable work is properly authorized.

Page	Section	Section Title	Summary
13.1-12	III.A.2.iii.	Foreign Assistance Act of 1961 (22 USC 2392)	Adds language to note that the Foreign Assistance Act provides the State Department authority to obtain work from DOE through both reimbursable work and through an appropriation transfer. Also adds reference to section I.D. regarding when an appropriation transfer may be preferred.
13.1-41	X	Summary of Identified DOE Reimbursable Work Authorities	Adjusts the citation for the Robert T. Stafford Disaster Relief and Emergency Assistance Act to a more directly applicable section of 42 USC.
13.1-41	Endnotes	Endnote iii	Adds language to clarify that the cost of work program is labeled as “Strategic Partnership Projects” in the joint explanatory statement accompanying the FY 2026 appropriation.

CHAPTER 13.2

COLLECTIONS

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I. INTRODUCTION

I.A. Purpose and Scope

This chapter provides requirements for collections made by DOE and DOE contractors.

The following topics are excluded from this chapter:

- Collections made for reimbursable work, which are addressed in Chapter 13.1, *Reimbursable Work and Interagency Agreements*.
- Collections relating to transactions between DOE entities, which are addressed in Chapter 12, *Inter-entity Work Between DOE Organizations*.
- Requirements relating to receivables and debt collection, which are addressed in Chapter 8, *Receivables and Debt Collection*.

I.B. Applicability

Unless noted by each individual section, this chapter applies to all Departmental Elements and contractors processing Federal collections.

Section VII of this chapter provides requirements for collections by contractors that are (1) authorized to receive checks-paid letter(s) of credit financing (see Section II.F. of Chapter 6, *Payments and Cash Management Activities*) and (2) receive collections relating to performance of the DOE contract. The guidance in section VII does not apply to collections from non-DOE Federal Entities or collections from other DOE entities.

II. GENERAL REQUIREMENTS

II.A. Miscellaneous Receipts

As a general rule, all collections received by DOE shall be deposited as miscellaneous receipts into the General Fund of the Department of the Treasury (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 may be an inappropriate augmentation of DOE's appropriations, as defined by 31 USC 3302, *Custodians of Money.*

II.B. Collections Directed by Statute

Statutory provisions may provide specific provisions relating to collections. When applicable, collections should be deposited consistent with statutory direction.

II.C. Other Collections

Disposition of collections received by DOE that cannot be classified appropriately under the requirements of this chapter or other relevant financial policy or guidance must be determined on a case-by-case basis in consultation with the Office of the Chief Financial Officer.

II.D. Accounting Considerations

When depositing collections, use the appropriate standard general ledger (SGL) set of accounts as provided by the Office of Finance and Accounting. Attachment 13.2-1 provides a list of the disposition of common Department collections discussed in this chapter. Information related to accounts used for depositing collections involving the Federal Government's financial operations is provided for under Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 1500, *New Account Establishment, Updating Accounts, and Description of Accounts Relating to Financial Operations*, and *Treasury's Federal Account Symbols and Titles (FAST) Book* supplement to volume I.

Procedures for accounting for collections from receipt to final disposition will include safeguards and internal controls.

III. COLLECTION AND DEPOSIT MECHANISMS

A principal objective of collections is to collect Federal government receipts at the lowest cost possible in a timely manner. Detailed deposit requirements can be found in TFM Volume I, Part 5, *Deposit Regulations.*

III.A. Funds are to be collected by Electronic Funds Transfer (EFT) consistent with current statutory authority.

III.A.1. Treasury establishes several EFT collection mechanisms consistent with its goal of all electronic collection mechanisms for payments to the Federal government. Consistent with TFM Volume I Part 5, Chapter 1500, Section 1540, DOE is required to use collection services authorized by the Treasury to deposit public money as specified in section III.C. of this chapter, unless a specific statutory authority applies.

III.A.2. The collection of funds through non-electronic mechanisms must be avoided by DOE entities whenever possible. DOE entities may contact the Accounts Receivable Team in the Office of Finance and Accounting for assistance processing collections outside of electronic mechanisms by emailing AR@hq.doe.gov. Miscellaneous paper checks received must be mailed to the Office of Finance and Accounting for processing.

III.A.3. Payment and money transfer app services must not be used to circumvent established payment and collection mechanisms unless authorized by the Office of the Chief Financial Officer. Departmental Elements and contractors must follow the collection mechanisms specified in the appropriate chapters of the Financial Management Handbook.

III.B. The mechanisms DOE uses for collecting funds for credit into the Federal government account(s) must minimize the total cost to the Government as a whole, including DOE direct costs, the cost of purchased services, and the float cost of the money involved in the collection system.

III.C. Enrollment forms and additional details for authorized collection mechanisms are available on the Treasury's Bureau of the Fiscal Service website. DOE entities will consider, but are not limited to, the following Treasury authorized EFT collection mechanisms in order of preference:

III.C.1. Automated Clearing House (ACH)

III.C.2. Fedwire (for deposits requiring same-day settlement)

III.C.3. Pay.gov

III.C.3.i. Pay.gov offers collection services by Credit Card, Debit Card, Electronic Check, PayPal, and Amazon Pay.

III.C.3.ii. Pay.gov is the only authorized mechanism for collections through PayPal and Amazon Pay at DOE. Other payment and money transfer app services such as Venmo, Zelle, etc. are not authorized collection mechanisms at DOE.

III.C.4. Online Bill Pay

III.C.5. FedNow

III.C.6. Treasury's Over the Counter Channel Application (OTCnet)

III.D. DOE entities will adhere to Treasury deposit requirements, including thresholds, to reduce processing float and to improve funds availability pursuant to TFM Volume I, Part 5, Chapter 2000, *Depositing Domestic Checks and Cash Received in Over the Counter Collections*. Collections held within a DOE finance organization will be handled and safeguarded as cash. At a minimum, the items noted above will be kept in a fire-resistant combination safe or lock-safe cabinet.

IV. REFUNDS TO THE DEPARTMENT

IV.A. Definition

Refunds are the repayments of excess payments that the Department made to others. Examples of refunds, include overpayments; payments

made in error; or adjustments for previous amounts disbursed, including returns of authorized advances and rebates. The amounts are directly related to previous obligations incurred and outlays made against the appropriation.

IV.B. Refunds for Active Financial Assistance and Contract Awards

Refunds received for active contract and financial assistance awards (one whose period of performance is current and not expired) may be credited back to the award and may be expended for purposes consistent with the original obligation.

IV.C. Refunds for Closed Awards

Refunds received for closed awards (ones whose period of performance has expired and/or are in close-out) are credited back to the award and then must be subsequently de-obligated. Recoveries of funds that were obligated in prior years must be reapportioned before they can be used for new obligations. Additional guidance is provided in Chapter 5, *Accounting for Obligations,* and in detailed process guidance for Prior Year Adjustments (PYAs) provided by the Office of Finance and Accounting.

IV.D. Other Appropriation Refunds

Refunds not related to active awards are deposited to the credit of the appropriation or fund account charged with the original obligations. If the obligation associated with the refunded payment was made in a prior year, the funds must be reapportioned before they can be used for new obligations.

If the appropriation account is closed or the refund cannot be clearly associated with one or more specific appropriation of fund accounts, refunds are treated as miscellaneous receipts and deposited to Treasury Account 089 3200, *Collections of Receivables from Canceled Accounts*, (STARS Fund Code 02009) in accordance with 31 USC 1552(b). As necessary, the Designated Financial Officer 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.

Additional instructions for depositing refunds are provided in Office of Management and Budget (OMB) Circular No. A-11, Section 20.9.

V. DEPARTMENTAL ADMINISTRATION COLLECTIONS

The annual appropriations for Departmental Administration provide authority for DOE to retain and use certain collections, consistent with the provisions of each annual appropriation. Collections for items specified in the Departmental Administration budget request should be deposited to the Departmental

Administration Account. Examples of these include collections for Freedom of Information Act (FOIA) fees, Savannah River timber sales collections, and Federal Administrative Charge collections.

VI. ADMINISTRATIVE OFFSET FOR AMOUNTS DUE FROM DOE CONTRACTORS

As defined by 31 USC 3701(a)(1), administrative offset means withholding funds payable by the United States (including funds payable by the United States on behalf of a State government) to (or held by the United States for) a person to satisfy a claim. Administrative offsets may be used to resolve debts due to DOE from a contractor, when permitted by applicable procurement regulations (FAR 32.6 and DEAR 942.803).

Administrative offsets to resolve contract debts do not result in a collection; the offset reduces the amount otherwise due to the contractor. Receivables relating to debts resolved through administrative offset should be cancelled by creating a credit receivable.

VII. CONTRACTOR COLLECTIONS

The guidance in this section does not apply to collections from non-DOE Federal Entities (see Chapter 13.1 of the *Financial Management Handbook*) or collections from other DOE entities (see Chapter 12 of the *Financial Management Handbook*).

VII.A. Reductions of Cost

Collections relating to allowable contract costs shall be accounted for as reductions of cost. Such collections may be deposited into the contractor's DOE special financial institution account. Collections that may be accounted for as reductions of cost include:

VII.A.1. Collections relating to items furnished as a convenience to individuals, including collections received for housing, bus, food, and cafeteria services. 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 reallotment or deposited into Treasury as General Fund miscellaneous receipts.

VII.A.2. Proceeds of personal property sales, if authorized by the contract (see Section IX).

VII.A.3. Refunds resulting from overpayments; disallowed subcontract costs; refunds of payments made in error; or adjustments for amounts previously disbursed, such as returns of authorized advances.

VII.A.4. Rebates, including commissions or rebates from travel agents, utility rebates, and amounts received from General Services Administration (GSA) for gasoline shall be deposited to the DOE special financial institution account, subject to the following conditions:

VII.A.4.i. The rebate must be credited as a refund to the same account(s) initially charged with the payment.

VII.A.4.ii. The rebate must be used to offset costs related to the same general purpose for which the initial payment(s) was made.

VII.B. Departmental Administration and General Fund Treasury Receipts.

Collections received that are related to performance of the DOE contract but are not related to specific contract costs, including interest or penalties on delinquent receivables, will be deposited into the appropriate Departmental Administration or General Fund miscellaneous receipt accounts. These include:

VII.B.1. Departmental Administration – 089 5228

VII.B.2. Interest. Account 089 1435, General Fund Proprietary Interest, Not Otherwise Classified.

VII.B.3. Administrative Charges and Penalties. Account 089 1099, Fines, Penalties, and Forfeitures Not Otherwise Classified.

VIII. DONATIONS AND GIFTS

VIII.A. General Requirements. Donations and gifts are defined as unsolicited collections of funds or other items of value received by the Department from the public that are neither attributable to nor associated with any contractual or other binding devices for performing work or services.

VIII.B. Authorities

VIII.B.1. ERDA Authority. The Secretary of Energy is authorized to "accept, hold, administer, and utilize" donations and gifts under 42 USC 5817(f). The authority applies only to Departmental Elements established under the Energy Research Development Administration (ERDA).

The authority states that donations and gifts of money and proceeds from sales of other property received as gifts or bequests shall be deposited in the Treasury and shall be disbursed upon the order of the Administrator (Secretary).

VIII.B.2. Laboratory Cooperative Science Centers. The Secretary of Energy has the authority to accept non-Federal funds to finance

activities as provided for by 42 USC 7381b, *Laboratory Cooperative Science Centers and Other Authorized Educational Activities*.

VIII.C. Acceptance

Donations and gifts accepted by Departmental Elements and contractors (on behalf of the Department) must be reviewed by the Office of the General Counsel prior to acceptance to ensure that DOE has appropriate authority to accept and retain the gift or donation. When donations authorized under 42 USC 7381b are approved for a certain type of activity, such as Science Bowls, the Office of the General Counsel might not require further review of each individual donation under the authorized activity, such as, the Southwestern Pennsylvania Science Bowl. Consult with the Office of the General Counsel when needed.

Donations and gifts must be accepted by the Secretary unless authority is specifically delegated. Current delegations include authority to accept gifts under $25,000 for the American Museum of Science and Energy, which is delegated to the Director, Office of Science per Redelegation Order No. S4-DEL-SC1-2023.

VIII.D. Use of Donations, Gifts, and Bequests

VIII.D.1. Donations and gifts received per Section VIII.B.1. [under the authority of 42 USC 5817(f)] can only be used in furtherance of authorized Departmental purposes. Gifts made under the express condition that they be used for some unauthorized purpose cannot be accepted.

VIII.D.2. Funds received per Section VIII.B.2. (under the authority of 42 USC 7381b) can only be used to finance the educational activities specified by the donor.

VIII.D.3. Under 42 USC 5817(f) and 42 USC 7381b, only the Secretary can approve the subsequent use and expenditure of donated funds.

VIII.E. Execution and Control of Work

VIII.E.1. The Department shall deposit monetary donations and gifts into Treasury Account Symbol 089 8576.

VIII.E.2. Donations and gifts should be recorded at the estimated fair value of the contribution.

VIII.E.3. Budgetary authority to obligate and expend donated funds must be provided by an allotment issued by the Office of the Chief Financial Officer.

IX. PROCEEDS OF PERSONAL PROPERTY SALES

IX.A. Disposal by GSA. Proceeds received by DOE offices from the sale of property, plant, and equipment shall be handled generally as miscellaneous receipts unless authority exists to retain the collections as detailed by this section or other authoritative policy or statute.

IX.B. 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 will be available during the fiscal year in which the property was exchanged or sold and for one fiscal year thereafter for the purchase of replacement property. This rule may be applied in either of the two following instances described below, either of which will require reapportionment from the Office of Management and Budget as amounts collected are required to be reported on the SF 133, *Report on Budget Execution and Budgetary Resources,* as Spending Authority from Offsetting Collections:

IX.B.1. If the sales proceeds are received before an obligation for replacement property has been incurred but an administrative determination has been made and documented that such proceeds will be used as an appropriation reimbursement to apply against an obligation which will be incurred within the prescribed time limit, the proceeds will be deposited in the clearing account 089F3845, Proceeds of Sales, Personal Property; or

IX.B.2. If the sales proceeds are received after an obligation for replacement property has been incurred and during the fiscal year in which the property was exchanged or sold and for one fiscal year thereafter, the proceeds may be credited as a direct reimbursement to the appropriation account charged or chargeable for the replacement property.

IX.B.3. Sales proceeds that are not applied to the purchase of the replacement property within the time limits specified shall be deposited into miscellaneous receipts as prescribed in GSA Federal Management Regulation 102-39.80.

IX.C. Collections from the Sale of Personal Property. GSA Federal Management Regulation 102-38.295 provides rules for the use of proceeds from the sale of personal property. Under this regulation, GSA provides that entities may retain sale proceeds for their direct costs and reasonably related indirect costs incurred in selling personal property. Additionally, GSA stipulates certain provisions where entities are allowed to retain the entire balance of proceeds from the sale of its personal property. One of these provisions is when, “The property sold was surplus Government property that was in the custody of a contractor or

subcontractor, and the contract or subcontract provisions authorize the proceeds of sale to be credited to the price or cost of the contract or subcontract."

IX.D. Sale of Surplus DOE Personal Property by Contractors. For contracts containing the DEAR 970.5245-1 clause, proceeds from sales of surplus personal property shall be handled as reductions to contract 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.

IX.E. Nuclear Waste Fund. Proceeds from the sale of property owned by the Nuclear Waste Fund shall be returned to the Nuclear Waste Fund rather than submitted to the Treasury General Fund as miscellaneous receipts. Additional financial policy is provided in Chapter 19, *Nuclear Waste Fund.*

X. 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 payor or paid to another upon determination of proper disposition. Deposit funds, unlike appropriated funds 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 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 TFM Volume I, Part 2, Chapter 1500, Section 1535).

X.A. Disposition. Once proper disposition of a deposit is determined, it shall be removed from the deposit fund account and credited to the proper receipt, appropriation, or fund account, or remitted to the proper authority/party. See Section XI and TFM Volume I, Part 6, Chapter 3000, *Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered,* for guidance on proper disposition of unclaimed moneys held in deposit fund accounts.

X.B. Reviews. Deposit funds shall be analyzed each quarter to determine whether they are holding unclaimed moneys for rightful owners.

XI. UNCLAIMED MONEYS OWED TO THE PUBLIC

Unclaimed moneys are moneys held by DOE for rightful owners whose whereabouts are unknown. On a quarterly basis, DOE must review any uninvested trust, revolving, and deposit fund accounts to determine whether the accounts contain unclaimed moneys. DOE must initiate action to clear unclaimed moneys held for more than a year.

Detailed requirements for identifying and resolving unclaimed moneys is contained in TFM Volume I, Part 6, Chapter 3000. Contractors are responsible for clearing unclaimed moneys in their possession and taking actions necessary to return the funds to the rightful owners consistent with applicable state law. Contractors shall not provide unclaimed moneys to DOE for disposition.

XII. REPAYMENTS FROM PROJECTS UNDER THE CLEAN COAL TECHNOLOGY PROGRAM AND THE CLEAN COAL POWER INITIATIVE

XII.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, *Department of the Interior and Related Agencies Appropriations Act, 2002*. 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.

XII.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 USC 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.

XII.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," 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.

XII.D. Account for Deposit of Moneys Received. Moneys received shall be deposited directly to the Clean Coal Technology Appropriations Account (089X0235) using Revenue Budget and Reporting Code (B&R) ZN0300000, *Repayments from Clean Coal Technology Projects*. For detailed accounting transaction, appropriation account, and B&R information, please contact the Office of Finance and Accounting.

XII.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.

XII.F. Obligations of Moneys Received. Moneys 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.

XIII. COLLECTIONS FOR PROPRIETARY USE OF USER FACILITIES

Proprietary users of DOE user facilities are required to pay the full cost of facility use, consistent with the provisions of DOE Order 522.1A*, Pricing of Departmental Materials and Services*. Reimbursable agreements for proprietary use of DOE user facilities shall conform to the requirements for non-Federal reimbursable agreements specified in Chapter 13.1.

Collections for proprietary use of user facilities offset the cost of operating the facility and shall be credited to the appropriation account that provides funding for facility operations. DOE may retain user facility collections consistent with the authority specified in 42 USC 7259(b).

XIV. NUCLEAR MATERIAL REMOVAL PROGRAM FOR NUCLEAR NONPROLIFERATION

XIV.A. Description

The purpose of the Nuclear Material Removal Program is to support a longstanding United States nuclear weapons non-proliferation policy calling for the reduction and eventual elimination of the use of weapons-usable nuclear material in civil programs worldwide. The Nuclear Material Removal Program was also known as the Foreign Research Reactor Spent Nuclear Fuel Acceptance Program. To support this policy, DOE accepts and manages nuclear materials from foreign countries.

XIV.B. Authority

Authorities include 50 USC 2569, *Acceleration of Removal or Security of Fissile Materials, Radiological Materials, and Related Equipment at Vulnerable Sites Worldwide*, and Presidential Decision Directive 13, dated September 27, 1993.

XIV.C. Financing

High-income countries may provide payments for managing, storing, and disposing the material. As specified in the Fee Record of Decision included in 61 FR 26507, *Establishment of the Fee Policy for Acceptance of Foreign Research Reactor Spent Nuclear Fuel,* fees are due and payable upon DOE acceptance of the spent nuclear fuel at the DOE management site.

The Office of Environmental Management (EM) receives appropriation funding from Defense Environmental Cleanup (089X0251) to finance costs for the receipt of nuclear material. Fee revenue collected may also be used for program costs. For the National Nuclear Security Administration (NNSA) appropriation, funding is provided for under Defense Nuclear Nonproliferation (089X0309).

For both EM and NNSA programs, work funded in whole or in part through the assessment of fees from high-income countries is accounted for as reimbursable work under Treasury account 089X0319 utilizing reimbursable work authority.

XIV.D. Funds Contributed by Foreign Countries

XIV.D.1. Retention and use of amounts. Notwithstanding 31 USC 3302, the Secretary of Energy may retain and use amounts contributed under an agreement with foreign countries and organizations. Amounts so contributed shall be retained in a separate fund established in the Treasury for such purposes and shall be

available for use without further appropriation and without fiscal year limitation.

XIV.D.2. The use of funds contributed by foreign countries for the program include activities cited under 50 USC 2569(c).

XIV.D.3. If an amount contributed under an agreement with a foreign country or organization is not used within five years after it was contributed, DOE shall return that amount to the foreign country or organization that contributed it.

XIV.D.4. The authority to accept, retain, and use contributions by foreign countries and organizations for the Nuclear Material Removal Program for Nuclear Nonproliferation expires on December 31, 2028, as specified in 50 USC 2569, *Acceleration of Removal or Security of Fissile Materials, Radiological Materials, and Related Equipment at Vulnerable Sites Worldwide*. Extension of the expiration date requires legislation. This provision applies to contributions only and does not apply to the fees collected for receiving nuclear materials and performance of nonproliferation projects provided by annual appropriations.

XV. LABORATORY DIRECTED RESEARCH AND DEVELOPMENT FOR THE NATIONAL ENERGY TECHNOLOGY LABORATORY

The National Energy Technology Laboratory (NETL) is authorized under Public Law 116-260, Section 4006, 134 STAT 2545 to collect and retain funds for use as Laboratory Directed Research and Development (LDRD). Collections for the NETL LDRD program are deposited in Treasury Account symbol 089X2298.

XVI. ACRONYMS

ACH	Automated Clearing House
B&R	Budget and Reporting
CCPI	Clean Coal Power Initiative
CCT	Clean Coal Technology
CFR	Code of Federal Regulations
DEAR	Department of Energy Acquisition Regulations
DOE	Department of Energy
EFT	Electronic Funds Transfer
EM	Environmental Management
ERDA	Energy Research and Development Administration

FAR	Federal Acquisition Regulations
FAST	Federal Account Symbols and Titles
FOIA	Freedom of Information Act
GSA	General Services Administration
LDRD	Laboratory Directed Research and Development
NETL	National Energy Technology Laboratory
NNSA	National Nuclear Security Administration
No.	Number
OMB	Office of Management and Budget
OTCnet	Over the Counter Channel Application
PYA	Prior Year Adjustment
SF	Standard Form
SGL	Standard General Ledger
TFM	Treasury Financial Manual
Treasury	Department of the Treasury
USC	United States Code

Attachment 13.2-1 Disposition of Common Department Collections

Receipt Type	Treasury Symbol	Title
Civil Penalty	089 1099	Fines, Penalties, Forfeitures, Not Otherwise Classified
Interest, including interest received from grant recipients	089 1435	General Fund Proprietary Interest, Not Otherwise Classified
Freedom of Information Act	089 5228.1	Miscellaneous Revenues for Departmental Administration
Federal Administrative Charge		
Timber Proceeds, Savannah River		
DOE Reimbursable Work for Others (Federal & Non-Federal)	DOE Program Account	DOE Program Account
Overpayments (Federal) - DOE Reimbursable Work for Others	Federal Agency	For funds that can be returned to sponsoring agency
	089 3220	For funds that can't be returned to sponsoring agency (account closed or other information unavailable)
Overpayments (Non-Federal) - DOE Reimbursable Work for Others	Non-Federal Sponsor	For funds that can be returned to non-Federal sponsor
	020X6133 or 020 1060	See TFM Volume I, Part 6, Chapter 3000, *Payments of Unclaimed Moneys And Refund Of Moneys Erroneously Received And Covered*
Rebates	DOE Program Account	DOE Program Account
Unallowable Costs, Restitution	Varies	DOE Program Account if meets Appropriation Refund Conditions OMB Circular No A-11 Section 20.9. Closed program appropriation 89 3200, *Collections of Receivable from Cancelled Accounts*.
Restitution		
Filing Fees for applications for Import/Export authorizations	020 3220	Miscellaneous Receipts as 10 CFR 590.207 provides that application fees be made out to Department of the Treasury

Receipt Type	Treasury Symbol	Title
Sale of Personal Property - scrap metal, vehicles, or equipment	Varies	Miscellaneous Receipts - Exceptions Proceeds on Personal Property Sales (See GSA Federal Management Regulation 102-39.80)*;* and see DOE Regulation 41 CFR Part 109-45, *Sale, Abandonment, or Destruction of Personal Property*

SUBJECT: LIMITED CHANGE 1 TO CHAPTER 13.2, *COLLECTIONS*

1. EXPLANATION OF CHANGES. These changes clarify requirements on refunds to the Department. The chapter also adopts the current Financial Management Handbook template.

2. LOCATIONS OF CHANGES: Substantive limited changes made throughout the document are summarized at the beginning of the chart.

Page	Section	Section Title	Summary
13.2-5 13.2-6	IV.	Refunds to the Department	Revisions made to section IV clarify the requirements relating to refunds for active contract and financial assistance awards. The revisions are consistent with similar clarifications provided in Chapter 14 of the Financial Management Handbook in April 2022, which were specific to Financial Assistance awards.

SUBJECT: LIMITED CHANGE 2 TO CHAPTER 13.2, *COLLECTIONS*

1. EXPLANATION OF CHANGES. These changes update the requirements for collection and deposit mechanisms due to the Department of the Treasury's closure of DOE's Lockbox which collected miscellaneous payments, such as, checks. Change also clarifies that inter-entity transactions are excluded from the chapter. Minor edits were made for clarity throughout the chapter.

2. LOCATIONS OF CHANGES: Substantive limited changes made throughout the document are summarized at the beginning of the chart.

Page	Section	Section Title	Summary
13.2-4	I.A.; I.B.	Purpose and Scope; Applicability	Edited sections and clarified inter-entity transactions are excluded from the chapter and removed list of topics which can be found in the table of contents.
13.2-5, 13.2-6	III.	Collections and Deposit Mechanisms	The Department of Treasury closed DOE's Lockbox on December 31, 2023, thus information on the Lockbox was removed in the section and other methods of collections were added in section III.C. The Treasury General Account program for DOE is also closed, which provided services to accept cash and check deposits. The section also adds a point of contact for non-electronic means of collection in section III.A. Treasury references were updated and clarifying information was added in the section.
13.2-4, 13.2-8	VII.	Contractor Collections	Clarified inter-entity transactions are excluded from the chapter in Section I.A. Added inter-entity transaction reference in Section VII.
13.2-16, 13.2-17	XIV.	Nuclear Material Removal Program for Nuclear Nonproliferation	Clarified language and updated the expiration date in 50 USC 2569

CHAPTER 14
FINANCIAL ASSISTANCE AND OTHER TRANSACTIONS

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I. INTRODUCTION

I.A. Purpose and Scope

This chapter provides requirements for the accounting and financial management of financial assistance awards administered by DOE. This chapter complements the *DOE Guide to Financial Assistance* issued by the DOE Office of Policy (MA-61); government-wide financial assistance regulations contained in 2 CFR 200 (the "Uniform Guidance"); DOE-specific financial assistance regulations, contained in 2 CFR 910.

This chapter also provides accounting and financial management requirements for agreements made under DOE's other transaction authority at 42 U.S.C 7256(g) (OT agreements). DOE regulatory requirements relating to Other Transaction Authority agreements are provided in 2 CFR 930.

This chapter does not address accounting for direct loans and loan guarantees managed by the DOE Office of Energy Dominance Financing (EDF), which are discussed in Chapter 22 of the DOE Financial Management Handbook*, Direct Loans and Loan Guarantees*.

I.B. Applicability

This chapter applies to all Departmental elements. It does not apply to contractors.

I.C. Policy

I.C.1. DOE will account for and administer its financial assistance awards and OT agreements in accordance with applicable statutory authority, uniform guidance, Department of the Treasury (Treasury) guidelines, and DOE policies and regulations governing such documents. References to specific external requirements are cited when applicable in the chapter.

I.C.2. Financial Assistance Listings must align with DOE's Federal Program Inventory (which is consistent with DOE's budget structure). See section II.E. of Chapter 3.1 of the DOE *Financial Management Handbook*, "Budget Execution Topics and Accounting for Appropriations."

I.C.3. The Department shall maintain accurate accounting for awards, including the accrual of costs incurred, and shall reconcile DOE accounting records with recipient financial reporting as appropriate.

II. FINANCIAL ASSISTANCE LISTINGS

II.A. DOE Framework for Assistance Listings

Consistent with the provisions of 2 CFR 200.203, the assistance listing is intended to provide program information for federal financial assistance.

There is a one-to-one relationship between an Assistance Listing and each PPA (program, project, or activity) defined by DOE's budget structure. See section II.E. of Chapter 3.1 of the DOE *Financial Management Handbook*.

II.B. Assistance Listings for Announcements and Awards with Multiple Funding Sources

When DOE systems (e.g., the Approved Departmental Acquisition System) or interagency systems allow for only one Assistance Listing to be identified with an announcement or an award, select the Assistance Listing associated with the largest funding source.

III. ACCOUNTING REQUIREMENTS

III.A. Recording Commitments

Commitments represent reservations of funds that are planned for obligation on an award or agreement. Recording commitments reserves funding for the issuance of the award or agreement by the Grants or Agreements Officer. Funding is obligated when the award or agreement is approved.[1]

Commitments are recorded automatically in STARS through a system interface when a requisition is approved in the Approved Departmental Acquisition System. See chapter 3.2 of the Financial Management Handbook for requirements relating to the approval of requisitions.

III.B. Obligations

III.B.1. Recording Obligations

Obligations are incurred at the time a Grants or Agreements Officer signs the award document. The recipient accepting the award need not sign the award document for the obligation to be incurred and recorded. See Chapter 5 of the DOE Financial Management Handbook, *Accounting for Obligations*, for further guidance on obligations.

When an award or agreement is executed in the Approved Departmental Acquisition System, the obligation is reflected directly in STARS through a systems interface.

The DFO must ensure that obligations are recorded in STARS for any award or agreement not processed through the Approved Departmental Acquisition System per an allowed exception.

III.B.2. Recording Deobligations

Deobligations should be recorded in the following circumstances:

- When funds are removed from an award or agreement by the Grants or Agreements Officer, consistent with

the award provisions, 2 CFR 200.339, and Chapter 6.2.3 of the *DOE Guide to Financial Assistance*;
- When the period of performance has ended and all final claims have been paid, the remaining funds are deobligated as part of closing the award;
- When the appropriation has been cancelled and is no longer available to make payments under current obligations (see Chapter 5 of the *Financial Management Handbook, "Accounting for Obligations"*).

Deobligations are recorded in STARS through a system interface when the modification is processed through the Approved Departmental Acquisition System.

Deobligations must be recorded directly in STARS for any funding reduction that is not processed through the Approved Departmental Acquisition System.

III.C. Accounting for Costs Incurred

III.C.1. Recording Accruals Prior to Payment

III.C.1.i. General Requirements

Accruals are costs recorded for work performed in advance of payment by DOE. Costs incurred but not paid represent a liability to DOE. See section II.B.1 of Chapter 11 of the DOE Financial Management Handbook, *Liabilities*, and the DOE Cost Accrual Guide maintained by the CFO Office of Finance and Accounting.

DOE's accrual procedures for Financial Assistance are consistent with *Federal Financial Accounting Technical Release 12: Accrual Estimates for Grants Programs*.

III.C.1.ii. Cost Accruals for Awards and Agreements Paid by Invoice

Accruals are recorded for awards and agreements that are invoiced and paid by reimbursement.

Automated accruals for awards and cost-based OT agreements with uncosted balances in excess of $1 million must be reviewed in accordance with the procedures set out in the Department's Cost Accrual Guide (provided by the CFO Office of Finance and Accounting).

III.C.1.iii. Financial Assistance Awards Paid Through ASAP

When payment is made through Treasury's Automated Standard Application for Payments

(ASAP) System, the recipient draws down funding from the ASAP account as needed to meet current cash needs for execution of the award. Accruals are not recorded for awards and agreements paid by ASAP because there is no substantive timing delay between the incurrence of DOE's liability and the actual payment.

III.C.1.iv. OT Agreements with Milestone Payments

DOE is liable for payment only upon achievement of a defined milestone. Accruals should be recorded for unpaid amounts when the recipient reports completion of a milestone, but payment will not occur until the following reporting period.

See IV.A.4. of this chapter for a description of milestone payments for OT agreements.

III.C.2. Recording Costs at the Time of Payment

III.C.2.i. Costs Recorded When Invoices are Paid

The recipient provides invoices to DOE for payment by reimbursement via the Vendor Inquiry Payment Electronic Reporting System (VIPERS). Costs recorded in DOE's accounting system reflect the amounts paid.

When multiple funding lines are obligated to the same award or OT agreement, the costs recorded will reflect the funding source cited when the payment is made.

III.C.2.ii. Assigning Costs when Payment is Made through ASAP

Costs are recorded on a monthly basis as the recipient draws down funding to meet the requirements of the award.

III.C.2.iii. Milestone Payments for Other Transaction (OT) Agreements

Costs are recorded in DOE's accounting system when milestone payments are made.

See IV.A.4. of this chapter for a discussion of milestone payments for OT agreements.

III.C.2.iv. Working Capital Advances

Payments for working capital advances should not be recorded as costs when paid. Material amounts paid in advance should be recorded as an advance

payment per the requirements of Chapter 7 of the *Financial Management Handbook*, "Advances, Prepaid Expenses, and Other Assets."

See IV.A.3 of this Chapter for a discussion of working capital advances.

III.C.3. Recording Costs for Awards or Agreements with Multiple Funding Sources

A single financial assistance award or OT agreement may be funded with multiple funding sources when permitted (see Financial Management Handbook Chapter 3.2, "Requisitions.")

Multiple funding sources may include (1) funding from the same Congressional control point (C-parent), but appropriated in different fiscal years, or (2) funding from multiple appropriations or Congressional control points that have been determined to be available for the purpose of the award or OT agreement.

If funding available for separate statutory purposes is obligated on the same award, an award-specific methodology for assigning costs must be approved in advance. See section IV.D.2.ii. of DOE *Financial Management Handbook* Chapter 3.2, "Requisitions."

III.C.3.i. Financial Assistance Awards Paid through ASAP

For awards paid through ASAP, the default system functionality assigns costs to the oldest available funding source. The default functionality appropriately records costs when separate funding lines are from different fiscal years but the same appropriation and Congressional control point (C-Parent).

If the award contains funding from separate Congressional control points (C-Parents), costs should normally be assigned proportionally to each C-Parent. When the uncosted balance of the award exceeds $1 million, costs must be reviewed monthly and adjusted as needed to ensure appropriate execution reporting.

III.C.3.ii. Awards and Agreements Paid by Invoice

Costs recorded reflect the funding source cited when the payment is made. Invoice approving officials should choose the appropriate funding source as noted below:

Type of Available Funding	Payment Instructions

• One congressional control point (C-Parent) • Separate funding lines reflect funding appropriated in different fiscal years	Use the oldest funding first
• Multiple congressional control points (C-Parent)	Split payments proportionally according to the funding provided by the separate Congressional control points (C-parents). Use the oldest funding available in each Congressional control point (C-parent) first.

III.C.4. Reconciliation of Costs with Recipient Reporting for Financial Assistance Awards

For financial assistance awards, costs and cash on hand are reported on a quarterly basis through SF-425 consistent with award terms and 2 CFR 200.328.

Costs recorded by DOE should be reconciled with the quarterly recipient reports of actual costs and cash on hand when the recipient reporting is received.

III.D. Accounting for Government-owned Property

The DFO shall ensure proper accounting for Government-owned property held by recipients in DOE accounts in the same manner as for Government-owned property held by contractors. Property with a title conditionally vested with the non-Federal entity is not considered Government-owned property for the purposes of DOE accounting.

Section 4.5.4 of the *DOE Guide to Financial Assistance* and the referenced regulatory requirements contain detailed guidance regarding the ownership and disposition of property acquired under an award.

Chapter 10.1 of the DOE Financial Management Handbook, *Property, Plant, and Equipment*, provides requirements for accounting for Government-owned property.

IV. PAYMENTS AND CASH MANAGEMENT

IV.A. Timing of Payments

The Grants or Agreements Officer will determine the payment terms before the award is executed and include the payment terms and other conditions in the award.

Additional procedures for payments are detailed in Chapter 6 of the DOE Financial Management Handbook, *Payments and Cash Management Activities* and the Treasury Financial Manual Volume 1, Part 4A-2000.

IV.A.1. Advance Payments

Advance payments are the preferred payment mechanism for financial assistance awards, consistent with the Uniform Guidance. Payments to the recipient may be made in advance of performance, consistent with the provisions of 2 CFR 200.305 and 2 CFR 910.354. For recipients to receive advance payments, the recipient must have a financial management system that meets the requirements specified in 2 CFR 200.302 and must not be a for-profit entity, as specified in 2 CFR 910.354.

Advance payments are allowable for OT agreements, consistent with 2 CFR 930.300(a).

Cash balances maintained at the recipient level are to be kept to the minimum amount necessary to meet immediate recipient disbursement needs. Thus, recipients are required to minimize the time elapsed between the transfer of funds from Treasury and the disbursement of the funds by the recipient. Recipients must maintain advance payments of Federal funds in insured, interest bearing accounts unless an exception is applicable in accordance with 2 CFR 200.305(b)(7-8).

IV.A.2. Reimbursement

Reimbursement is payment to a recipient, upon the recipient's request, of actual cash outlays by the recipient in performing activities under an award. For for-profit financial assistance recipients, reimbursement is the preferred payment method in accordance with 2 CFR 910.354.

For other financial assistance recipients, payment is made by reimbursement when the requirements in 2 CFR 200.305(b) cannot be met; when DOE sets a specific condition per 2 CFR 200.208; or when the recipient requests payment by reimbursement.

Reimbursement is an allowable payment method for OT agreements per 2 CFR 930.300(a).

Payments for Financial Assistance awards and OT agreements are not subject to requirements of the Prompt Payment Act or to interest penalty provisions. However, in accordance with 2 CFR 200.305 and 2 CFR 910, payments must be made within 30 days of receipt of a valid request for reimbursement.

IV.A.3. Working Capital Advance for Financial Assistance Awards

If a financial assistance recipient cannot meet the criteria for advance payments as specified in 2 CFR 200.305 and the Grants Officer determines that reimbursement is not feasible because the recipient lacks sufficient working capital, DOE may provide funds as a working capital advance in accordance with 2 CFR 200.305(b)(4).

When authorized by the Grants Officer, working capital advances to the recipient are intended to cover the recipient's estimated cash disbursement needs for an initial period of time. The period of time is to be decided by the Grants Officer but should not normally exceed the recipient's disbursement cycle. Thereafter, payments are made to the recipient for actual cash disbursements.

IV.A.4. Milestone Payments for Other Transaction (OT) Agreements

Milestone payments provide specific payment amounts upon accomplishment of predetermined, well-defined, observable, and verifiable measures of technical progress, outcomes, or other payable milestones.

As specified by 2 CFR 930.300(c), milestone payments are the preferred payment method when objective and well-defined outcomes can be identified.

Per 2 CFR 930.300(c), fixed-support awards must use a milestone payment mechanism, but an initial advance payment is also allowable to meet necessary immediate cash needs.

IV.A.5. Timing of Payments for Revolving Loan Funds, Loan Loss Reserve Funds, Interest Rate Buy-Downs, and Third-Party Loan Insurance[1]

IV.A.5.i. Payments may be made to the recipient at the time the funds are obligated by the recipient. The Office of General Counsel has clarified that these authorities are contained in 31 CFR 205.25; 31 CFR 205.15; and 10 CFR 420.18(d).

IV.A.5.ii. Revolving loan funds are considered obligated by the recipient in any of the following circumstances:

- Receipt of a loan application from potential borrowers;

- State or local requirements (regulatory, statutory, or constitutional) dictate that funds be available in advance;[2]
- The distribution account is operated by a third party; [3]
- If a recipient establishes and operates a revolving loan fund, the fund would be considered obligated by the recipient upon submitting a letter to the project officer and receiving a confirmation response from the Project Officer.

The letter must provide the strategy for the revolving loan fund and identify the scope of the loan program.

IV.A.5.iii. 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:

- For loan loss reserves supporting a funded program operated by the recipient, loan loss reserves are considered obligated by sending a letter to the Project Officer indicating the establishment of the loan loss reserve.
- For loan loss reserves supporting third-party loans, loan reserve funds are considered obligated when the recipient enters a signed agreement with the third party.

IV.A.5.iv. 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:

- Receipt of a loan application from potential borrowers;
- Where state or local requirements (regulatory, statutory, or constitutional) dictate that funds be available in advance;
- When the recipient 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; and
- The distribution account is operated by a third party and the recipient enters an agreement with the third party.

IV.B. Payment Mechanisms

IV.B.1. Advance Payments

When the Grants or Agreements Officer determines that advance payments will be made for an award, Treasury's ASAP system must be used for processing the award payments unless the DFO approves an exception to use the Department's Vendor Inquiry Payment Electronic Reporting System (VIPERS).

If the DFO approves an exception to the use of ASAP for processing advance payments, invoices must be submitted to the CFO payment processing center for payments to be made through Electronic Funds Transfer (EFT), using VIPERS.

IV.B.2. Reimbursement and Working Capital Advances

Awards that provide for reimbursement and awards that specify a working capital advance may be paid either by ASAP or by EFT via VIPERS.

Payments by EFT are processed by the Department's payment center located in Oak Ridge, Tennessee. Payments are approved by the invoice approving official. The award documentation provides instructions to the recipient for submitting invoices.

IV.B.3. Withholding Payments

Payments will be withheld when specified by the Grants or Agreements Officer and permitted by applicable regulations and the terms of the award or agreement. The Grant or Agreement Officer will notify the cognizant Designated Financial Officer when payment is to be withheld.

Allowable reasons to withhold payment include:

When the recipient has failed to comply with the project objectives or the terms and conditions of the award, consistent with the provisions of 2 CFR 200.305(b)(6) and 2 CFR 930.345.

When the recipient or sub-recipient is delinquent on debt owed to the United States per 2 CFR 200.305(b)(6)(ii), 31 CFR 901.3, and 10 CFR 1015.203. For debts already referred to Treasury for collection (required after the debt is 120 days delinquent), the payment will be offset by Treasury. (See Chapter 8 of the Financial Management Handbook, Receivables and Debt Collection.)

IV.C. Cash Management for Recipients Receiving Advance Payments

The DFO shall coordinate with the Grants or Agreements Officer to assess compliance by the recipient with the requirement that cash

balances maintained at the recipient level are kept to the minimum amount necessary to meet immediate recipient disbursement needs.

IV.C.1. Monitoring

Recipient financial reports and information available in the ASAP system shall be used to monitor the cash position of a recipient of a financial assistance award.

Recipient financial reports may include:

- Standard Form (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.

IV.C.2. Disposition of Earned Interest

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 (31 USC 6501), the Treasury Financial Manual (TFM) Volume 1, Part 4A 2045.10.

However, the following recipient organizations are allowed to retain a portion of interest as follows:

IV.C.2.i. State and Local Governments may retain for administrative expenses up to $500 in interest per year in accordance with 2 CFR 200.305(b)(9).

IV.C.2.ii. Institutions of Higher Education, Hospitals, Other Non-Profit Organizations may retain for administrative expenses up to $500 in interest per year for awards in accordance with 2 CFR 200.305(b)(9).

IV.C.2.iii. Recipients for Revolving Loan Funds may use all interest earned on funds which have been drawn down may be used for program purposes, consistent with the provisions of 31 CFR 205.25.

IV.C.3. Refunds of Interest Income

Interest income to be refunded to DOE shall be deposited to Treasury Account 089 1435, General Fund Proprietary Interest Collections, Not Otherwise Classified in accordance with the TFM Volume 1, Part 4A-2045.10. Interest earned on advances funded with the Nuclear Waste Fund (NWF) shall be returned to the NWF.

IV.C.4. Inactive Revolving Loan Funds

A revolving loan fund may be administered by a recipient or a third party. Regardless of who is administering the revolving

loan, if the fund does not loan out funds for eligible activities under the program, the Department may take an enforcement action against the recipient 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 take other allowable remedies against the recipient as stipulated under 2 CFR 200.339.[4]

Additional information regarding the revolving loan funds is contained in the Energy Efficiency Conservation Block Grant (EECBG) Policy Notice 09-202D.

IV.C.5. Completion or Termination

Upon termination or completion of the award and after cognizant Grants or Agreements Officer notification, the DFO shall coordinate with the Grants or Agreements Officer (as appropriate) to take prompt action to recover any remaining unused cash balances advanced to the recipient.

IV.D. Program Income for Financial Assistance

As defined in 2 CFR 200.307, program income is gross income earned by the recipient that is directly generated by a supported activity or earned because of the Federal award.

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.

Program income must be either retained by the recipient for authorized purposes or refunded to DOE, as appropriate.

IV.D.1. Program Income Retained by the Recipient

Recipients are usually authorized to retain income in accordance with the terms and conditions of their award and the relevant regulations (2 CFR 200.307).

IV.D.2. Refunds of Program Income

When recipients are not authorized to retain program income, the recipient is required to refund that income to DOE. The refund shall be processed as a collection in accordance with Chapter 13.2 of the DOE Financial Management Handbook, *Collections*.

IV.E. Refunds

Refunds received for active awards (one whose period of performance is current and not expired) are credited back to the award and may be expended for purposes consistent with the original obligation.

Refunds received for closed awards (ones whose period of performance has expired and/or are in close-out) are credited back to the award and then must be subsequently de-obligated. Recoveries of funds that were obligated in prior years must be reapportioned before they can be obligated. Additional guidance is provided in Chapter 5 of the DOE Financial Management Handbook and in detailed process guidance for Prior Year Adjustments (PYAs) provided by the Office of Finance and Accounting.

If the appropriation account is closed, refunds are treated as miscellaneous receipts and deposited to Treasury Account 089 3200, *Collections of Receivables from Canceled Accounts*, (STARS Fund Code 02009) in accordance with 31 USC 1552(b). As necessary, the DFO 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, any refunds being made within 32 calendar days of the drawdown should be made using the ASAP return payment process as detailed in the ASAP system guidance provided by Treasury.

For recipients receiving funds using EFT, refunds should be returned using the EFT refund process as provided in Chapter 4 of Department of the Treasury's *Green Book: A Guide to Federal Government ACH Payments*.

Checks should not be used to make refunds to DOE unless the other refund process methods have been exhausted. For instance, receiving a refund check may be the only viable option for a recipient to pay a refund after DOE closes out the award and the related ASAP account.

IV.F. Adjustments

The Grants or Agreements Officer may adjust the total amount of an award including any approved cost share or matching (if applicable) during the period of performance of the award in accordance with the terms and conditions of the award.

Adjustments shall be made through a modification or amendment to the award in The Approved Departmental Acquisition System and will be reflected in STARS and ASAP (if applicable) through system interfaces.

Program income shall not be reflected as an adjustment to the amount of the award. When authorized by the award and included in the terms and conditions, program income may be used to meet the cost share requirement of the award. Any requirements governing the disposition of program income earned after the end of the period of performance of an award must be explicit in the terms and conditions of the award.

V. CLOSEOUT

V.A. General Requirements

Detailed closeout requirements and procedures, including recipient reporting requirements, are contained in Chapter 7 of the DOE Guide to Financial Assistance, *Closeout*, and 2 CFR 200.344.

All awards shall be promptly closed out when applicable administrative actions and required work under the award have been completed. Prompt closeout is particularly important for awards made using time-limited funds. Any remaining amounts due to the recipient for such awards shall be paid before the cancellation of the funds (normally five years after the expiration of the appropriation).

After cancellation of the funds, any remaining payments due to the recipient will need to be made from currently available funding. See Chapter 5 of the DOE Financial Management Handbook, *Accounting for Obligations*, for more information regarding time-limited funding.

Awards in closeout shall no longer be accrued through the STARS automated accrual process. Additional accruals may be recorded manually if needed for awards in closeout.

V.B. Required Reporting of Expired Financial Assistance Awards

To promote timely closeout of awards, OMB Circular A-136 requires reporting on financial assistance awards that have expired but have not been closed. The CFO Office of Finance and Accounting leads DOE reporting efforts and may provide additional specific guidance as needed to meet current reporting requirements.

OT agreements are not financial assistance awards and are not subject to the closeout reporting required by OMB Circular A-136.

VI. DEFINITIONS

VI.A. Financial Assistance Agreements

As used in this chapter, financial assistance agreements include grants and cooperative agreements.

VI.B. Grant Agreement

This chapter utilizes the definition contained in 2 CFR 200.1.

VI.C. Cooperative Agreement

This chapter utilizes the definition contained in 2 CFR 200.1.

VI.D. Other Transaction (OT) Agreement

This chapter utilizes the definition contained in 2 CFR 930.105. An other transaction (OT) agreement means any agreement, including technology investment agreement (TIA), between the Department of Energy and/or the National Nuclear Security Administration and a non-Federal entity for

the principal purpose of carrying out a research, development, and demonstration project for which the use of a Federal procurement contract, grant, or cooperative agreement is not feasible or appropriate.

VI.E. Uniform Guidance

As used in this chapter, Uniform Guidance refers to the Government-wide financial assistance regulations codified at 2 CFR 200 and adopted by DOE in 2 CFR 910.

VI.F. Revolving Loan Fund

DOE may provide funding through grants to states that allow the establishment of revolving loan funds. These arrangements are separate and distinct from the direct loans and loan guarantees managed by the Department's Loan Program Office.

As defined by 31 CFR 205.2, a revolving loan fund:
"…means a pool of program funds managed by a State. States 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. A Federal Program Agency may require that all income derived from a revolving loan fund be used for Federal assistance program purposes."

A revolving loan fund is derived from financial assistance award(s) and managed by a recipient or a third-party administrator. As funds are repaid, they are used for new loans to other borrowers, allowing the fund to "revolve."

VI.G. Loan Loss Reserves

Loan loss reserves are used to provide partial risk coverage of third-party loans provided by a state under a DOE-funded revolving loan fund. DOE may provide funding for loan loss reserves under grant agreements with states.

VII. ACRONYMS

ASAP	Automated Standard Application for Payments
CFO	Chief Financial Officer
CF-10	Office of Finance and Accounting
CO	Contracting Officer
DFO	Designated Financial Officer
DOE	Department of Energy
EECBG	Energy Efficiency Conservation Block Grant
EFT	Electronic Funds Transfer
FASAB	Federal Accounting Standards Advisory Board
NNSA	National Nuclear Security Administration

OT	Other Transaction
STARS	Standard Accounting and Reporting System
VIPERS	Vendor Inquiry Payment Electronic Reporting System

VIII. REFERENCES

- 31 U.S.C 6501 – *Definitions*, establishing requirements for cash management practices in federal financial assistance.
- 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* establishing uniform administrative requirements, cost principles, and audit requirements for federal awards.
- 2 CFR 910 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, DOE-specific financial assistance regulations.
- 2 CFR 930 – *Other Transaction Agreements*
- 31 CFR 205.15 –Defines conditions for recipient obligation of federal funds.
- 31 CFR 205.25 –Provides guidance on handling interest earned and obligations in loan funds.
- Treasury Financial Manual (TFM) Volume 1, Part 4A-2000
- DOE O 130.1A, *Budget Approval and Execution*
- DOE Financial Management Handbook, Chapter 5, *Accounting for Obligations*
- DOE Financial Management Handbook, Chapter 6, *Payments and Cash Management*
- DOE Financial Management Handbook, Chapter 10.1 – *Accounting for Property, Plant, and Equipment*
- DOE Financial Management Handbook, Chapter 11, *Liabilities*
- DOE Financial Management Handbook, Chapter 13.2, *Collections*
- DOE Guide to Financial Assistance

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1 See Section II of Chapter 5 of the DOE *Financial Management Handbook,* "Accounting for Obligations."

2. The STRIPES Requisition record approval history (associated with the award) identifies both the designated budget approver and the program review official responsible for certifying the funds. The approval history of a STRIPES Requisition can be determined by accessing the subject requisition's "Route History" or "Status History" detail that is in the STRIPES procurement system. The accounting string information in STRIPES must contain the proper appropriation and accounting classification data before the system permits execution of the award and the consequent recording of the obligation. STRIPES performs various financial validations during this process and will reject any invalid accounting codes.

3. If a recipient requires a payment under these two circumstances, the recipient is to document the relevant requirements and provide that documentation to their Project Officer.

4. See Energy Efficiency Conservation Block Grant (EECBG) Program Notice 09-002D (or current version) and SEP Program Notice 10-008C (or current version) for further information on revolving and loan loss reserve funds and interest rate buy downs and third-party insurance.

SUBJECT: SEPTEMBER 2026 UPDATE TO CHAPTER 14, FINANCIAL ASSISTANCE AND OTHER TRANSACTIONS

1. EXPLANATION OF CHANGES: Chapter 14 was amended primarily to (1) implement current regulations regarding other transactions, (2) clarify procedures for recording costs for financial assistance awards, and (3) ensure consistency with the new assistance listing structure that will go into effect for FY 2027 (primary content for the assistance listings is in chapter 3.1). The chapter revised guidance for recording costs to address situations whereby awards are funded by multiple finding sources. The revised content also required manual cost adjustments for some financial assistance awards funded by multiple funding sources. Furthermore, the update required manual adjustments for only larger awards (over $1 million in uncosted balances) where the cost data was more likely to be material for financial reporting.

   The chapter also had a change that would eliminate accruals for awards paid through ASAP. This change recognized that there was no material time difference between incurrence of costs and payments for awards paid through ASAP, thus an accrual was not necessary. This change should reduce burden for financial offices because manual accrual reviews and adjustments will no longer be necessary for ASAP paid awards.

2. LOCATIONS OF CHANGES: Substantive changes made throughout the document are summarized in the following chart.

Page	Section	Section Title	Summary
14-2, 14-3	II.A, II.B	DOE Framework for Assistance Listings and Assistance Listings for Announcements and Awards with Multiple Funding Sources	The sections added information on: (1) the new assistance listing structure that will go into effect for FY 2027, and (2) identifying the assistance listing for awards with multiple funding sources.

14-3 through 14-7	III.A, III.B and III.C	Recording Commitments, Obligations, Accounting for Costs Incurred	The sections added information on commitments; clarified requirements for the obligation and deobligation of awards; and clarified requirements for recording costs.
14-9	IV.A.4	Milestone Payments for Other Transaction (OT) Agreements	The section added information on milestone payments for OT agreements.
14-11	IV.B.3	Withholding Payments	The section clarified requirements for withholding payments.
14-15 through 14-17	VI., VII., and VIII.	Definitions, Acronyms, and References	The chapter added definitions, acronyms, and references.

CHAPTER 15.1
DOE APPLICATION OF CONTRACTOR COST ACCOUNTING STANDARDS

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I. INTRODUCTION

I.A. Purpose and Scope

This chapter provides Department of Energy (DOE or Department) policy for the specific application of certain aspects of Cost Accounting Standards (CAS) for contractors, as codified in 48 Code of Federal Regulations (CFR) Chapter 99.

This chapter does not provide a comprehensive overview of CAS. The chapter only discusses aspects of cost accounting for which DOE-specific implementation guidance is needed to apply CAS in a manner consistent with DOE-specific laws, regulations, contract provisions, and business operations. DOE contractors shall comply with CAS not discussed explicitly in this chapter consistent with contract provisions.

Cost accounting guidance for Laboratory, Plant, and Site, Directed Research and Development (LDRD), (PDRD), and (SDRD) is contained in Chapter 15.2 of the *Financial Management Handbook.*

I.B. Applicability

I.B.1. General Applicability—All Content in the Chapter

DOE Management and Operating (M&O) contracts and other contracts with the DOE Acquisition Regulation (DEAR) clause 970.5232-3, *Accounts, records, and inspection*, or successor clause. Departmental Elements may determine the applicability of this policy to other site/facility management contractors.

I.B.2 Specific Applicability for Section II.D

This section applies to contracts for which DOE has a contractual obligation to reimburse the contractor for actual payments made to pension plans in the current period.

I.B.3. Specific Applicability for Section II.F

Section II.F provides guidance for DOE contractors and Departmental Elements regarding cost accounting practices for safeguards and security (S&S) costs. It also provides related guidance to Departmental Elements regarding the preparation of the Congressional Budget Request for S&S costs.

I.B.4. Specific Applicability for Section III

Section III provides guidance to DOE offices and contractors on resolving pension plan curtailments and applies to any request to DOE for reimbursement by a contractor as a result of a pension plan curtailment.

I.C. Basic Requirements

I.C.1. Contractor Responsibility

Contractors are responsible for compliance with CAS and for

maintaining adequate documentation to demonstrate compliance, consistent with contract requirements, including the Federal Acquisition Regulation (FAR) clause at FAR 52.230-2 (48 CFR 52.230-2), *Cost Accounting Standards*.

I.C.2. Disclosure of Cost Accounting Practices

The purpose of the Disclosure Statement is to establish a clear understanding of the cost accounting practices that the contractor uses to measure, assign, and allocate costs. CAS covered contractors and subcontractors are required to disclose in writing and consistently follow their cost accounting practices per 41 USC 422 (Public Law 100-679). Disclosure Statement requirements are governed by 48 CFR 9903.202. The CAS Disclosure Statement required by 48 CFR 9903.202-9 includes a requirement for the contractor to certify the accuracy and completeness of the disclosed practices.

The Cognizant Federal Agency Official (CFAO) for CAS administration is responsible for issuing determinations of adequacy and compliance of the Disclosure Statement, consistent with the provisions of FAR Part 30, including FAR 30.202-7 (48 CFR 30.202-7). The CFAO is designated consistent with the provisions of DOE Order 520.1B, Chg 2 (LtdChg), *Financial Management and Chief Financial Officer Responsibilities.*

I.C.3. Application of DOE Policy

This financial management policy provides application guidance for DOE contractors in accordance with DOE-specific laws, regulations, contract provisions, and guidance received from the CAS Advisory Board.

As specified by DOE acquisition regulations, contractors are not liable for any practice deemed to be noncompliant with CAS if the deemed noncompliance is caused by the contractors' compliance with published DOE financial management policies and procedures or other requirements established by the Department's Chief Financial Officer (CFO) or Senior Procurement Executive (48 CFR 970.5232-5, *Liability with Respect to Cost Accounting Standards*).

II. COST ALLOCATION POLICY AND REQUIREMENTS

II.A. Changes to the Indirect Cost Allocation Model

II.A.1. Determining When Changes are Needed

Changes may be required to a contractor's indirect cost model to maintain an equitable allocation of costs to final cost objectives when significant changes occur that affect the indirect cost model. As specified in FAR 31.203(e) (48 CFR 31.203(e)), *Indirect Costs*, such changes may include "the nature of the business, the extent of

subcontracting, fixed-asset improvement programs, inventories, the volume of sales and production, manufacturing processes, the contractor's products, or other relevant circumstances."

II.A.2. DOE Process for Assessing Potential Changes to the Cost Allocation Model

When significant changes occur at a DOE laboratory or site, the contractor should examine its indirect cost allocation model to assess whether changes are appropriate to maintain cost accounting practices that result in an equitable allocation of indirect costs to the final cost objectives.

Additionally, DOE policy allows the Designated Financial Officer or the CFAO for CAS administration the discretion to establish an integrated review team—including both Federal and contractor staff—to review potential changes to the contactor's indirect cost allocation model. Any changes proposed by the integrated review team must be processed as specified in section II.A.3 of this chapter and relevant contract provisions.

Attachment 15-1 of this chapter provides guidance for more detailed options for addressing inequitable cost allocation practices.

II.A.3. Processing Changes

Both administrative changes for clarification and proposed changes to cost accounting practices as defined by 48 CFR 9903.302-2 should be processed consistent with the provisions of FAR 52.230-6 (48 CFR 52.230-6), Administration of Cost Accounting Standards. While the FAR clause specifies a minimum of 60 days' notice of proposed changes in cost accounting practices, additional time may be needed for review, acceptance, and implementation of significant cost accounting changes. The CFAO should specify to contractors the appropriate timeline for submitting significant accounting practice changes for DOE review.

DOE policy (this chapter) requires that any proposed cost accounting change be accompanied by a cost impact statement unless waived by the CFAO. When the DOE contract represents a separate business unit (cost accounting segment), DOE policy (this chapter) requires that cost impact statements show the effects of the proposed changes to the final cost objectives, not to the overall contract cost.

II.B. Construction

II.B.1. General Requirements

Unless otherwise approved in advance by the CFAO, construction projects must be treated like other final cost objectives for purposes of cost allocation. Allocation rates must be the same for operating and construction cost objectives unless there are cost centers or

costs that are material and do not have a causal/beneficial relationship to construction projects.

Special allocations, when warranted, apply to individual final cost objectives and contractors should not charge a special allocation of indirect costs or develop separate rates for construction as a category or class of project. For additional requirements regarding special allocations refer to II.E of this chapter.

II.B.2. Allocation of Laboratory Directed Research and Development (LDRD)

In accordance with DOE Order 413.2C, *Laboratory Directed Research and Development*, line-item construction is excluded from the operating and capital equipment budgets used to establish LDRD funding levels and accrue LDRD funding. This exclusion applies only to line-item construction projects and does not apply to minor construction.

For additional information on cost accounting for Laboratory, Plant, and Site Directed Research and Development see Chapter 15.2 of the *Financial Management Handbook*.

II.C. Managing Indirect Cost Pool Variances

II.C.1. General Requirements

CAS 418-50(g) specifies requirements for managing preestablished indirect rates throughout the fiscal year and addressing variances between indirect rate allocations and actual costs incurred from the associated indirect cost pool. Additionally, DOE policy requires contractors to actively manage indirect cost rates by adjusting rates as needed during the year to minimize end-of-year variances (DOE Order 520.1B, Chg 2).

II.C.2. Dispositioning Variances

II.C.2.i. CAS Guidance—Techniques for Application

As part of active management of preestablished rates for indirect costs, contractors must follow the provisions of CAS 418-50(g). In particular, CAS 418-50(g)(4) indicates that when variances are material, the variances “shall be disposed of by allocating them to the cost objectives in proportion to the costs previously allocated to these cost objectives by use of the preestablished rates.”

II.C.2.ii. Determining Materiality

DOE policy (this policy) defines materiality for the purpose of dispositioning indirect cost pool variances by assessing impacts on the total cost assigned to each final cost objective.

When defining materiality, contractors should consider

the materiality factors defined in 48 CFR 9903-305. Consistent with the intent of 48 CFR 9903-305(f), when the administrative cost of processing the adjustment exceeds the amount of the adjustment, DOE does not deem the amount to be material.

DOE policy (this policy) requires that materiality be expressed as both a percentage of the overall cost of each final cost objective and a maximum nominal amount that can be considered an immaterial variance for each final cost objective.

II.C.2.iii. Required Disclosure

Contractors must document any relevant materiality threshold, and practices for resolving both material and immaterial variances, in both their CAS disclosure statement and their supporting policies and procedures.

II.C.2.iv. Review and Acceptance

DOE policy (this policy) requires that materiality thresholds be reviewed and accepted by the CFAO for CAS administration. The CFAO may request review of the proposed threshold by the cognizant contract auditor.

II.C.3. Final Cost Objective Closeout

II.C.3.i. General Requirement

Closeout practices, including the determination of the cost assigned to a final cost objective for a specific cost accounting period (the DOE fiscal year for DOE contractors), should ensure compliance with CAS, including CAS 418-50(g)(4) which provides policy regarding the disposition of material variances, and the materiality provisions contained in section II.C.2 of this chapter.

II.C.3.ii. Cost Accounting Closeout Prior to Year End

If a contractor's cost accounting practices allow for a final determination of the costs accrued to a final cost objective before year end rates are determined, the contractor must demonstrate that the practice has no material effect on the costs allocated to final cost objectives. The contractor's process for evaluating materiality (including thresholds) must be documented in the contractor's CAS disclosure statement.

II.C.3.iii. Rate Adjustments After Year End

Indirect rates will not be adjusted after year end close. As noted in II.C.3.i, adjustments having a material impact on

the costs accrued to a final cost objective must be made prior to year end close.

II.C.3.iv. Disallowed Indirect Costs Related to Prior Cost Accounting Periods

Questioned costs can arise from audits or other evaluations and assessments that occur after the close of a cost accounting period. The Contracting Officer determines whether questioned costs are allowable under the terms of the contract and the applicable provisions of FAR.

If a Contracting Officer disallows indirect costs from a prior cost accounting period, the indirect rates from that prior period will not be adjusted. Recoveries of these disallowed costs should be returned to Treasury as miscellaneous receipts when these recoveries cannot be associated with a specific funding source.[1] See also section 4 of Chapter 13.2 of the Financial Management Handbook, *Collections*.

When the need for a change in cost accounting practices is identified as a result of an audit or other evaluation or assessment, those changes should be made prospectively unless otherwise directed by the CFAO.

II.D. Pension Plan Contributions

II.D.1. General Policy

When specified in the contract, DOE reimburses M&O and certain site/facility management contractors for pension costs based on amounts contributed to the pension fund trust for the fiscal year in which pension plan contributions are made. Contributions are allocable to the contract in the year in which the plan contributions are made.

The Department reimburses contractors for at least the minimum required contributions under the Employee Retirement Income Security Act (ERISA) as amended. The Department may also reimburse the contractor for contributions made in excess of the ERISA minimum when approved by the Contracting Officer.

DOE policies regarding pension plan contributions defer to DOE specific contract provisions, consistent with instructions received by the CAS Advisory Board staff on how apply the requirements of CAS 412 to DOE contracts.

II.D.2. DOE Role in Contractor Pension Plans

The Department's contracts include language that defines the pension funding requirements in the terms and conditions. Consistent with the Department's contracts, DOE assumes the

responsibility for guaranteeing or underwriting the contractor's cash flow needs for meeting the ERISA funding requirements.

Upon contract termination, the pension plan's assets and liabilities transfer to the successor contractor. DOE assumes the responsibility for reimbursing its contractors for contributions required under ERISA and making plans sufficient in the event of a plan termination.

II.D.3. Determining Cost Allowability for Pension Plan Contributions

Chapter 30.201 of the DOE Acquisition Guide provides direction to contracting officers on reimbursing contractors for pension contributions consistent with the “Employee Compensation: Pay and Benefits H-Clause (known as the H-Clause)” or other applicable contract provisions in the contracts for M&O and site/facility contractors. The Department will not disallow costs or penalize a contractor for CAS noncompliance due to the contractor's compliance with DOE direction.

The H-Clause or other applicable contract provisions contained in DOE contracts require contractors to maintain the tax-qualified status of pension plans consistent with ERISA requirements and the Internal Revenue Code. The H-Clause or other applicable contract provisions describe the approval process when contractors request approval for alternative funding strategies above the minimum required contributions.

The H-Clause or other applicable contract provisions require the contractors to submit annual Pension Management Plans (PMPs) containing both a schedule showing the ERISA minimum required contributions and another schedule showing an alternative funding strategy of funding above the minimum. In these schedules, the contractors provide projected contributions for the current fiscal year and the next six future fiscal years. The Contracting Officer must approve contributions made above the ERISA minimum amount in the fiscal year in which the contribution occurs.

II.E. Special Allocations

II.E.1. DOE Requirements

There should be limited use of special allocation CAS provisions per DOE policy (this policy). Special allocations may be used to resolve situations where equitable allocation of General and Administrative (G&A) costs and other indirect costs cannot be achieved by other methods, including the methods described in sections II.A and Attachment 15-1 of this policy. Requirements related to a special allocation of G&A are specified in CAS 410-50(j) and requirements relating to special allocations for other indirect costs are specified in 418-50(f).

A special allocation is appropriate only when a single final cost

objective in relation to other final cost objectives receives significantly more or less benefit from a G&A or other overhead pool when compared to the current allocation received. A special allocation should not be applied to certain categories of costs or a class of projects (e.g., a lesser allocation rate for construction projects in general).

II.E.2. Disclosure and Cost Impact

The contractor must provide a cost impact statement for any proposed special allocation of G&A or indirect costs.

A special allocation represents a change in cost accounting practices. See section II.A.3 for requirements relating to processing changes to cost accounting practices.

II.F. Safeguards And Security

II.F.1. General Requirement

DOE pricing policy (DOE Order 522.1A) requires full cost recovery for materials and services provided to non-DOE organizations and agencies. Full cost recovery includes site safeguards and security (S&S) costs; thus, DOE must recover an applicable share of site S&S expenses from non-DOE customers, including the Department of Homeland Security.

DOE appropriations provide separate funding for DOE's portion of sites' S&S costs. DOE's Congressional Budget Requests disclose DOE's practice of recovering an allocable share of S&S costs from non-DOE customers.

II.F.2. Application to Cost Accounting Practices

II.F.2.i. DOE contractors must establish cost accounting structures that accommodate both the expenditure of direct funding from DOE appropriations for S&S and charge an allocable share of the site's base S&S expenses to non-DOE customers. Expending directly appropriated funds and recovering costs from non-DOE customers are not like circumstances, thus the required DOE practice does not conflict with the requirements of CAS 402, *Consistency in Allocating Costs Incurred for the Same Purpose*.

II.F.2.ii. Designated Financial Officers may determine that anticipated recoveries of S&S costs from non-DOE customers are not material for a particular site, and thus the site is not required to recover S&S costs from non-DOE customers. Such materiality determinations must be disclosed by the Departmental Element in its section of the Congressional Budget Request.

II.F.2.iii. Non-DOE customers will be charged for S&S expenses incurred over and above normal site S&S activities.

II.F.3. Required Disclosure

Contractors must document their methodology for allocating S&S costs to non-DOE customers in the CAS disclosure statement.

II.G. Contractor Fee

II.G.1. General Policy

II.G.1.i. Fees due for performance by the M&O contractor, including fixed fees, award fees, and incentive fees, represent a cost to DOE. Under the M&O contract model, the fees earned by the M&O contractor are normally payable by the M&O contractor to the contractor's corporate parent(s).

II.G.1.ii. The fee amount accrued in the current period (see II.G.2.ii of this policy) should be reported separately from contract costs included in the contractor's incurred cost submission.

II.G.1.iii. The fee amount to be allocated shall be directed by the Contracting Officer consistent with the provisions of 48 CFR 970.1504-103.

II.G.2. Application to Cost Accounting Practices

II.G.2.i. Separate Pool for Fee Allocations

DOE contractors must establish a separate pool for allocation of fee. The pool(s) established to accumulate the fee(s) must only be used to accumulate the fee. Contract costs must not be comingled in the fee pool. The contractor should establish separate pools when the contract includes different types of fees. This will facilitate the process of confirming that the correct amount of each type of fee is included in the contract and that these are being allocated equitably to each benefiting program, whether DOE or non-DOE.

The contractor's fee must not be included in the G&A pool. While CAS 410-50(c) provides some flexibility for insignificant non-G&A expenses to be included in G&A under certain circumstances, DOE policy does not allow this flexibility regarding fee.

II.G.2.ii. Allocation Methodology

Contractor fee should be allocated equitably to each benefiting DOE program and non-DOE customer. The methodology for allocating the fee should be disclosed (see I.C.2 of this policy).

II.H. Inter-Contractor Work for Transactions between Integrated Contractors

II.H.1. General Policy

Per Chapter 12 of the Financial Management Handbook, *DOE Internal Reimbursable Transactions*, Inter-Contractor Work (ICW) represents a transaction in which one DOE integrated contractor obtains goods or services from another integrated contractor on a reimbursable basis.

While ICW is not considered a subcontract process,[2] indirect cost allocations generally follow the same practices as are followed for subcontracts.

II.H.2. Application to Cost Accounting Practices

II.H.2.i. Requesting Contractor

The requesting contractor should burden costs from the performing contractor consistent with its disclosed practices for subcontract costs.

The requesting contractor should not apply its LDRD, PDRD, or SDRD rate to ICW. LDRD, PDRD, or SDRD rates should only be applied once to the same contract costs, and these rates are applied to ICW by the performing contractors.

II.H.2.ii. Performing Contractor

ICW is treated the same as other contract work for purposes of indirect cost allocation. The performing contractor should apply indirect rates to the costs incurred in a manner consistent with its disclosed cost accounting practices.

The indirect rates applied should include an equitable allocation of LDRD, PDRD, or SDRD costs, as applicable.

III. PENSION PLAN CURTAILMENTS

III.A. Contractor Requirements

Consistent with CAS requirements, contractors must send a copy of the request for payment due under CAS 413 for a pension plan curtailment[3] and the supporting documentation for the request to their Administrative Contracting Officer (ACO).[4]

When the ACO is not a DOE Contracting Officer, the contractor should provide a courtesy copy of the request to the appropriate DOE procurement office.

III.B. DOE Responsibilities

Payment requests received by DOE, either directly from the contractor or from the ACO, should be forwarded to the Head of Contracting Activity, the Office of Management, and the Office of the Chief Financial Officer (OCFO). When multiple programs are involved, the program with the greatest share of the request for payment as determined by the OCFO will take the lead (herein referred to as the Lead Contracting Officer).

III.C. DOE Evaluation of Contractor Request

The request must be evaluated by the Department's in-house actuaries within the Office of Management and the OCFO for an opinion on whether the request is reasonable. The Department's actuaries will provide a recommendation of whether: 1) payment is recommended and no concerns have been identified regarding the accuracy of the amount requested; 2) the request is unreasonable, and the Department should reject the payment request; or 3) the Department has an obligation to reimburse the contractor for the curtailment, but the accuracy of the amount in the request cannot be confirmed.

If there is an obligation to pay, but the Department's actuaries cannot confirm the amount, the Department may seek assistance from its actuarial consultants as appropriate and may utilize the consultants to assist in negotiating a proposed amount with the contractor and the contractor's actuaries.

III.D. Payment

After the appropriate payment amount is determined, the Department's OCFO will determine how the amount will be allocated to affected DOE Departmental Elements. OCFO will coordinate with program budget offices and the Office of General Counsel as needed to resolve questions regarding the appropriate funding source for required payments.

The Office of Management and the Office of General Counsel will review the payment details for policy or legal concerns. Identified concerns should be resolved by the Lead Contracting Officer in coordination with affected offices. After resolution of any concerns regarding the payment, the Lead Contracting Officer will determine procedures for payment and contractor notification.

V. DEFINITIONS

V.A. Actual Costs

An amount determined on the basis of cost incurred (as distinguished from forecasted cost), including standard cost properly adjusted for applicable variance (CAS 401-30(a)(2)).

V.B. Allocation Base

The population of cost objectives over which an indirect cost pool is allocated.

V.C. Business Unit

Any segment of an organization with separate cost accounting practices, or an entire business organization that is not divided into segments (CAS 410-30(a)(2) and DOE clarification). For DOE site/facility management contracts, the DOE contract is generally a separate business unit or segment (DOE clarification).

V.D. Cost Objective

A function, organizational subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost to processes, products, jobs, capitalized projects, etc. (CAS 410-30(a)(4)).

V.E. Direct Costs

Any cost which is identified specifically with a particular final cost objective (product, service, or project). CAS 418-30(a)(2),

V.F. Final Cost Objective

A cost objective which has allocated to it both direct and indirect costs and, in the contractor's accumulation systems, is one of the final accumulation points (CAS 410-30(a)(5). For DOE contractors, activities with a discrete funding source represent a final cost objective (DOE clarification).

V.G. Indirect Costs

Any cost not directly identified with a single final cost objective but identified with two or more final cost objectives or with at least one intermediate cost objective (CAS 418-30(a)(3)).

Types of indirect cost pools used by contractors include:

V.G.1. Overhead

Pools of indirect costs, other than general and administrative (G&A) expenses, that are allocated to final cost objectives without any intermediate allocations (CAS Form DS-1, Section 4.1.0).

V.G.2. General and Administrative (G&A)

Any management, financial, and other expense which is incurred by or allocated to a business unit, and which is for the general management and administration of the business unit as a whole (CAS 410-30(a)(6)).

V.G.3. Service Centers

Departments or other functional units which perform specific technical and/or administrative services primarily for the benefit of other units within a reporting unit. Examples of service centers are data processing centers, reproduction services, and communications services (CAS Form DS-1, Section 4.3.0).

V.G.4. Expense Pools

Pools of indirect costs that are allocated primarily to other units within a reporting unit. Examples of expense pools are use and occupancy pools and fringe benefit pools (CAS Form DS-1, Section 4.3.0).

V.H. Indirect Cost Pool Variance

The difference between a preestablished measure and an actual measure (CAS 407-30(a)(9). Variances may represent either an over or under collection from actual funding requirements in an indirect cost pool (DOE clarification).

V.I. Intermediate Cost Objective

A cost objective that is used to accumulate indirect costs or service center costs that are subsequently allocated to one or more indirect cost pools or final cost objectives (2 CFR Part 200.1).

V.J. Line-Item Construction Project

Construction projects with a cost that exceeds the minor construction threshold (defined in Chapter 2.3 of the Financial Management Handbook). Line-item construction projects are funded as a separate program, project or activity within the DOE budget structure.

V.K. Preestablished Indirect Rates

Indirect rates, based on either forecasted actual or standard cost, used in allocating an indirect cost pool (CAS 418-50(g)(1)). For consistency purposes, DOE is using the term “preestablished indirect rate” in its policy guidance.

VI. REFERENCES

- Public Law 100-679, Office of Federal Procurement Policy Act Amendments of 1988, which established the requirements for a CAS board and standards.
- Public Law 93-406, *Employee Retirement Income Security Act (ERISA) of 1974*, that establishes minimum standards for pension plans in private industry.
- 41 USC 422 *Cost Accounting Standards Board,* which established the Board within the Office of Federal Procurement Policy
- CFR Title 48 *Federal Acquisition Regulations System*
- 48 CFR Part 30 *Cost Accounting Standards Administration*, that describes policies and procedures for applying CAS Board rules and regulations to negotiated contracts and subcontracts.
- 48 CFR Part 31 *Contract Cost Principles and Procedures,* that contains cost principles and procedures for (a) The pricing of contracts, subcontracts, and modifications to contracts and subcontracts whenever cost analysis is performed; and (b) The determination, negotiation, or allowance of costs when required by a contract clause.
- 48 CFR Part 52 *Solicitation Provisions and Contract Clauses*, that (a) gives instructions for using provisions and clauses in solicitations and/or contracts; and (b) Sets forth the solicitation provisions and contract clauses described by this regulation.

- 48 CFR Chapter 99 - *Cost Accounting Standards Board*, which prescribes policies and procedures for applying CAS to negotiated contracts and subcontracts. Part 9903 *Contract Coverage* and Part 9904 *Cost Accounting Standards* are key parts of Chapter 99.
- 48 CFR 970.5232-3 *Accounts, records, and inspection*
- DEAR 970.3102-370 *Home office expenses*, establishes if the Contractor is allowed to claim Home Office Expenses.
- DEAR 970.5232-3 *Accounts, records, and inspection*, that requires the contractor to maintain a separate and distinct set of accounts, records, etc. for the contract and that all accounts and records related to the contract shall be subject to inspection and audit by DOE or its designees, according to the provisions of contract clauses.
- DEAR 970.5232-5 *Liability with respect to cost accounting standards,* which establishes that Contractors are not liable for any practice deemed to be noncompliant with CAS if the deemed noncompliance is caused by the contractors' compliance with published DOE financial management policies and procedures or other requirements.
- DOE Order 413.2C – Change 1 (Min Chg) - *Laboratory Directed Research and Development (LDRD),* that establishes DOE requirements for LDRD while providing the laboratory director broad flexibility for program implementation.
- DOE Order 520.1B Change 2, *Financial Management and Chief Financial Officer Responsibilities,* establishes policies and responsibilities for DOE financial and accounting management officials. The order establishes internal controls and financial management oversight requirements including active rate management by DOE contractors. The order also defines the Cognizant Federal Agency Official (CFAO).
- DOE Order 522.1A Change 1, *Pricing of Departmental Materials and Services*, establishes requirements for establishing prices and charges for materials and services sold or provided to external organizations, other Federal agencies, and the private sector either directly or through the Department's site/facility management contracts.
- DOE Acquisition Guide Chapter 30.201, *DOE's Oversight of Certain Contractor Defined Benefit Pension Plans and Its Effect on Contracts, Cost Accounting Standards Compliance, and Audit,* that provides guidance regarding CAS and DOE's oversight of defined benefit pension plans sponsored by DOE contractors under M&O contracts and any other non-M&O major site and facility management contracts where work had previously been performed under a DOE M&O contract.
- Financial Management Handbook Chapter 12 *DOE Internal Reimbursable Transactions,* explains that Inter-Contractor Work (ICW) represents a transaction in which one DOE integrated contractor obtains goods or services from another integrated contractor on a reimbursable basis.

- Financial Management Handbook Chapter 15.2 *Laboratory, Plant, and Site Directed Research and Development,* that provides financial implementation policy for these types of research and development.

VII. ACRONYMS

ACO	Administrative Contracting Officer
CAS	Cost Accounting Standards
CFAO	Cognizant Federal Agency Official
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
DEAR	DOE Acquisition Regulation
DOE	Department of Energy
ERISA	Employee Retirement Income Security Act
FAR	Federal Acquisition Regulation
G&A	General and Administrative
LDRD	Laboratory Directed Research and Development
M&O	Management and Operating
OCFO	Office of the Chief Financial Officer
PDRD	Plant Directed Research and Development
S&S	Safeguards and Security
SDRD	Site Directed Research and Development
USC	United States Code

ATTACHMENT 15-1
SUPPLEMENTAL DOE GUIDANCE: OPTIONS FOR ADDRESSING INEQUITABLE COST ALLOCATIONS[5]

A. Options for Addressing Inequitable Distribution of G&A Costs

A.1. Purification of the G&A Pool

CAS 410 identifies fundamental requirements for the allocation of business unit G&A expenses to final cost objectives. For an expense to be classified as G&A, it must be incurred for managing and administering the whole business unit, as defined by CAS 410-30(a)(6). Consistent with the requirements of CAS 410, management expenses more directly measured by a base other than the business unit as a whole should be removed from the G&A expense pool and included in a separate overhead pool.

While CAS permits non-G&A costs to be included in the G&A cost pool in certain circumstances (CAS 410-40(d)), this practice increases the overall size of the G&A cost pool and thus increases the G&A rate that is applied to final cost objectives. A higher G&A rate increases the significance of the G&A allocation base chosen by the site (see section A.2 of this attachment).

Removing non-G&A costs from the G&A cost pool ("purifying" the cost pool) will result in a smaller overall G&A cost pool and a lower G&A rate, which could facilitate a more equitable distribution of G&A costs, depending on site-specific circumstances.

A.2. Changes to the G&A Allocation Base

A.2.i. Principles for Choosing the Appropriate G&A Allocation Base

The G&A allocation base must represent the total activity of the contractor except for LDRD (See Chapter 15.2 of the *Financial Management Handbook*, "Laboratory, Plant and Site Directed Research and Development").

When selecting the G&A allocation base, the base that best reflects total business activity and thus results in the most equitable allocation of G&A expense across all final cost objectives should be selected. The selection of the best base involves judgments on whether inclusion of certain base costs (e.g., materials, subcontracts) cause "distortions" in allocating G&A to some final cost objectives. The specific circumstances of the business unit should be considered in determining which base best represents total activity.

A.2.ii. Total Cost Base

In accordance with CAS 410-50(d)(1) and (2), a total cost base is generally acceptable as an appropriate measure of the total activity of a business unit except when the inclusion of material or subcontract costs would significantly distort the allocation of G&A

expenses in relation to benefits received. For example, if a certain final cost objective funds large subcontracts that do not bear the same relationship to G&A as other cost elements, a total cost input base may apply an inequitable amount of G&A to that final cost objective.

A.2.iii. Value-Added Cost Base

A value-added base is used where the inclusion of material and subcontract costs would significantly distort the allocation of G&A expenses in relation to benefits received, and where costs other than direct labor are significant measures of total activity.

A.2.iv. Single-Element Cost Base

A single-element base may be used when it produces equitable results. However, a single-element cost input base is inappropriate where that element is an insignificant part of the total cost of some of the final cost objectives.

B. Special Allocations

Special allocations of G&A and indirect costs may be appropriate to address inequitable cost allocations in limited circumstances (see sections II.A and II.E of this policy). Special allocations must be compliant with CAS and the provisions of this policy.

C. Use of Service Centers for Indirect Cost Allocation

The allocation of costs for services or products provided to internal customers may be improved by the development and application of internal rates for service centers. Service Center costs are charged to customer programs commensurate with customer use, frequently on a “per unit” basis of output (items, tests, service periods, etc.). Service center costs are subject to the same requirements as indirect cost pools specified in CAS 418-40 and 418-50.

While service centers may provide a more precise cost allocation method for some support activities, they may also increase administrative costs and the complexity of the contractor’s cost accounting structure. Before creating service centers, the cost and complexity of maintaining service centers should be weighed against any projected improvement to the overall accuracy of cost allocation practices.

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[1] Recoveries of disallowed costs must come from the contractor’s corporate funds, such as contractor fee or payment from the prime contractor’s corporate parents.
[2] See the Office of Acquisition Management, PF 2026-12 Revision of DOE Financial Management Handbook, Chapter 12 DOE Internal Reimbursable Transactions
[3] A pension plan curtailment occurs when future service or benefits in a pension plan are significantly reduced or eliminated, such as when a plan is frozen and no longer provides new benefits. A settlement occurs when a significant percentage of liabilities is irrevocably transferred outside of the plan, such as a lump sum window that cashes out the benefit for plan participants or a group annuity purchase that transfers all future obligations to an insurance company.
[4] DOE does not generally define a separate ACO for M&O contracts. For non-M&O contracts, the ACO may be part of the Defense Contract Management Agency or another Federal agency.
[5] This section is DOE’s guidance for more detailed options for addressing inequitable cost allocation practices. It does not establish new policy requirements beyond those in CAS.

SUBJECT: MAY 2026 UPDATE TO CHAPTER 15.1, *DOE APPLICATION OF COST ACCOUNTING STANDARDS*

1. EXPLANATION OF CHANGES: These changes add language on the application direct and indirect costs under Inter-Contractor Work (ICW) and add a reference to Financial Management Handbook Chapter 12, *DOE Internal Reimbursable Transactions*.

2. LOCATIONS OF CHANGES: Added section II.H. Inter-Contractor Work for Transactions between Integrated Contractors and reference to Financial Management Handbook Chapter 12, *DOE Internal Reimbursable Transactions*.

Page	Section	Section Title	Summary
15.1-11	II.H.	Inter-Contractor Work for Transactions between Integrated Contractors	Added language on the application of direct and indirect costs under Inter-Contractor Work (ICW).
15.1-16	VI.	References	Added reference to Chapter 12, *DOE Internal Reimbursable Transactions.*

CHAPTER 15.2

LABORATORY, PLANT, AND SITE DIRECTED RESEARCH AND DEVELOPMENT

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I. Introduction

I.A. Purpose

This chapter provides Department of Energy (DOE or Department) financial implementation policy for Laboratory Directed Research and Development (LDRD), Plant Directed Research and Development (PDRD), and Site Directed Research and Development (SDRD) programs. Programmatic requirements for the LDRD program are contained in DOE Order 413.2C Chg 1, *Laboratory Directed Research and Development*, or successor order.

I.B. Applicability

This policy applies to DOE and National Nuclear Security Administration (NNSA) national laboratories conducting LDRD programs, NNSA covered nuclear weapons production plants conducting PDRD programs, and the Nevada National Security Site conducting the SDRD program. Key differences in the applicability of the requirements at the National Energy Technology Laboratory (NETL) are detailed in the table below:

Chapter Section	***Requirements Applicable to NETL***
Section II.D.1. Accumulation of Funding for LDRD	Funding for NETL's LDRD program is accumulated as specified in Section 969C(b) of Division Z of the Continuing Appropriation Act, 2021 (Public Law (P.L.) 116-260).

II. Program Requirements

II.A. General Program Requirements

II.A.1. Purpose and Authority

The Department is authorized to establish research programs at its contractor-operated facilities and at NETL, which is a government-owned, government-operated national laboratory operating within the DOE complex. These programs include LDRD, PDRD and SDRD.

These research programs are key components of the DOE mission to promote scientific and technical innovation that advances the economic, energy, and national security of the nation. The research programs are conducted in accordance with Congressional requirements and DOE policy.

II.A.2. Allowability of Contract Costs

Costs related to LDRD, PDRD, and SDRD programs are allowable when incurred and allocated in accordance with Congressional direction, DOE policy, and the terms and conditions of the contracts.

II.B. Applicability of Cost Accounting Standards

As a matter of policy, DOE applies Cost Accounting Standards (CAS), (codified at 48 CFR Part 9904) to the LDRD, PDRD, and SDRD programs with the modifications noted in this chapter to conform to specific Congressional cost accounting guidance. LDRD, PDRD, and SDRD are statutorily authorized programs. Congressional guidance dictates specific cost accounting practices for DOE's LDRD, PDRD and SDRD programs that deviate from normal CAS requirements. LDRD, PDRD, and SDRD programs are not subject to the requirements in CAS 420 (48 CFR 9904.420), *Accounting for Independent Research and Development Costs and Bid and Proposal Costs.* The programs are contractually required and thus do not meet the definition of Independent Research and Development as defined in CAS 420 (48 CFR Part 9904.420-30(6)).

II.C. Program Authorization and Funding Levels

II.C.1. LDRD

Funding levels for LDRD for contractor-operated laboratories are specified in section 3115(a)(2) of the National Defense Authorization Act (NDAA), 2016 (P.L. 114-92) and Section 309 of the Consolidated Appropriations Act, 2014 (P.L. 113-76).

Section 969C(b)(2) of Division Z of the Continuing Appropriation Act, 2021 (P.L. 116-260) authorizes LDRD funding at NETL.

The funding level established for LDRD must be within the statutorily mandated limit based on the laboratory's total operating and capital equipment budget, including non-DOE funded work, less line-item construction and LDRD program funding.

LDRD authorizations and project requirements are specified in DOE Order 413.2C Chg 1.

II.C.2. PDRD

The PDRD program must "engage in research, development, and demonstration activities with respect to engineering and manufacturing capabilities" to maintain and enhance the capabilities at DOE/NNSA's covered nuclear weapons production plants (Section 310 of the Energy and Water Development Appropriations Bill, 2001, P.L. 106-377).

In accordance with Section 3156 of the NDAA, 2000 (P.L. 106-398), PDRD projects may include replacement of obsolete or aging design and manufacturing technologies, development of innovative agile manufacturing techniques and processes, and training, recruitment, or retention of essential personnel in critical engineering and manufacturing disciplines.

Statutory requirements relating to funding levels are specified in section 308 (50 USC 2791a) of Division C of the Omnibus Appropriations Act, 2009 (P.L. 111-8). The funding level established must not exceed the statutorily mandated limit and is based on funding from budget categories specified in the Annual PDRD Program Guidance issued by NNSA for the corresponding fiscal year.[i] Plants may also include funding from other DOE and non-DOE customers for the base calculation.

II.C.3 SDRD

The SDRD program "engage(s) in research, development, and demonstration activities with respect to the development, test, and evaluation capabilities necessary for operations and readiness of the Nevada National Security Site." The program was established by Section 310 of the Energy and Water Development Appropriations Act, 2002 (P.L. 107-66).

Statutory requirements relating to funding levels are specified in section 308 (50 USC 2791a) of Division C of the Omnibus Appropriations Act, 2009 (P.L. 111-8). The funding level established must not exceed the statutorily mandated limit and is based on funding categorized using Budget & Reporting codes identified by the contractor, including non-DOE funded work.[ii]

II.D. Accumulation of Funding

II.D.1. Accumulation of Funding for LDRD

Funding for LDRD programs must be accumulated consistent with the requirements in Section 311 of Division D of the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), and DOE Order 413.2C Chg 1, Sections 4.D. and 4.E.

The statute requires that no individual program, project, or activity be charged more than the statutory maximum authorized for LDRD. To comply with this direction, the Order specifies that LDRD costs be allocated by applying a uniform rate to the same base used to calculate the LDRD budget.

DOE Order 413.2C Chg 1 specifies that the maximum funding level for LDRD is based on an authorized percentage of a contractor's total operating and capital equipment budget for the year. The Order defines the total operating and capital equipment budget as including non-DOE funded work and minor construction but excluding line-Item construction and the LDRD program funding.

II.D.2. Accumulation of Funding for PDRD

Funding is accumulated through an allocation to budget categories specified in the PDRD Program Guidance for the

corresponding fiscal year. Plants may also include funding from other DOE and non-DOE customers for the allocation base.

II.D.3. Accumulation of Funding for SDRD

Funding is accumulated through an allocation to funding categorized using Budget & Reporting codes identified by the contractor, including non-DOE funded work.

II.D.4. Unallowable Costs Excluded

Unallowable contract costs are not included in the base that is used to accumulate funding for the LDRD, PDRD, or SDRD programs. LDRD, PDRD, and SDRD are allowable contract costs, and the effect of including unallowable contract costs in the allocation base would be to require the contractor to pay for a portion of the LDRD, PDRD, or SDRD program.

II.E. Program Administration Costs

Program administration costs for the LDRD, PDRD, or SDRD programs may be considered a General and Administrative (G&A) cost or may be considered a direct cost of the LDRD, PDRD, or SDRD program.

The treatment of program administration costs for the LDRD, PDRD, or SDRD programs must be consistent, and the chosen cost accounting practice must be described in the CAS disclosure statement.

II.F. Indirect Allocations to LDRD, PDRD, and SDRD Projects

II.F.1. General Principle

Overhead costs should be charged to LDRD, PDRD, and SDRD projects similarly to costs charged to other final cost objectives in accordance with disclosed cost accounting practices.

II.F.2. General and Administrative Costs not Allocated to LDRD

Laboratories are legally prohibited from allocating G&A costs to the LDRD program. The prohibition is specified in section 104 of the Department of Energy Research and Innovation Act (P.L. 115-246) (for DOE Laboratories) and Section 3116 of the NDAA for Fiscal Year 2023 (P.L. 117-263) (for NNSA Laboratories). These legal prohibitions are also reflected in DOE policy (DOE Order 413.2C, Chg 1).

The exclusion applies only to the LDRD program; G&A costs must be allocated to the PDRD and SDRD programs.

II.G. Inter-Contractor Work (ICW)

Inter-contractor work or ICW represents work performed by one DOE integrated contractor for another DOE integrated contractor on a reimbursable basis.

To ensure that LDRD, PDRD, or SDRD allocations are applied only once to the same contract costs, the applicable LDRD, PDRD, or SDRD rate is applied to ICW by the performing contractor. See section II.H. of Chapter 15 of the *Financial Management Handbook* Chapter 15.1, "DOE Application of Contractor Cost Accounting Standards."

Inter-Contractor work is defined in section II.A.1 of Chapter 12 of the *Financial Management Handbook*, "DOE Internal Reimbursable Transactions."

III. Required Reporting

Section 3136 of the NDAA for FY 1997 requires the Department to submit an annual report to Congress on DOE's LDRD, PDRD, and SDRD programs. (P.L. 104-201, 50 USC 2793).

The annual report also fulfills Congressional requests for:

- Financial accounting of LDRD expenditures by laboratory and weapons production plant (Conference Report accompanying the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2001).
- Affirmation by the Secretary of Energy in order to meet the requirements in Conference Report, H. Rept. 107-258, accompanying the Energy and Water Development Appropriations Act, 2002. The Secretary certifies that "LDRD activities derived from funds of other agencies are conducted in a manner that supports science and technology development that benefits the programs of the sponsoring agencies."

IV. References

- Public Law 104-201, Section 3136 of the *National Defense Authorization Act for FY 1997*, establishes the Annual Report to Congress.
- Public Law 106-377, Section 310 of the *Energy and Water Development Appropriations Bill*, as enacted by the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2001, establishes that production plants engage in research, development, and demonstration activities with respect to engineering and manufacturing capabilities.
- Public Law 106-398, Section 3156 of the *National Defense Authorization Act for FY 2000*, which identifies acceptable engineering, manufacturing research, development, and demonstration by plant managers of certain nuclear weapons production plants.
- Public Law 107-66, Section 310 of the *Energy and Water Development Appropriations Act, 2002*, authorizes the Nevada Operations Office to engage in research, development, and demonstration activities with respect to development, test, and evaluation capabilities necessary for operations and readiness of the Nevada Test Site.

- Public Law 107-296, 6 USC 189(f), Section 309(f) of the *Homeland Security Act of 2002*, which stipulates funds authorized for use in conjunction with DOE's LDRD programs must support activities related to the Department of Homeland Security's mission.
- Public Law 109-103, Section 311 of the *Energy and Water Development Appropriations Act, 2006*, establishes funding amounts not to exceed eight percent for LDRD, and three percent for PDRD and SDRD.
- Public Law 110-161, Section 309 of Division C of the *Consolidated Appropriations Act, 2008*, updated the funding limits for PDRD and SDRD not to exceed four percent. LDRD limit remained at not to exceed eight percent.
- Public Law 111-8, Section 308 (50 USC 2791a) of Division C of the *Omnibus Appropriations Act, 2009*, continued funding LDRD, PDRD and SDRD programs.
- Public Law 111-85, Section 307 of the *Energy and Water Development and Related Agencies Appropriations Act, 2010*, continued funding LDRD, PDRD and SDRD programs.
- Public Law 113-76, Section 309 of Division D of the *Consolidated Appropriations Act. 2014*, lowered LDRD funding threshold not to exceed six percent.
- Public Law 113-235, Section 311 of the *Consolidated and Further Continuing Appropriations Act*, clarifies that no individual program, project, or activity funded by this or any subsequent Act for any fiscal year may exceed six percent of the statutory maximum.
- Public Law 114-92, Section 3115 of the *National Defense Authorization Act for Fiscal Year 2016*, change the language for NNSA labs to read not less than five percent and not more than seven percent rather than not to exceed six percent. All required NNSA to brief Congress.
- Public Law 115-246, Section 104 of the *Department of Energy Research and Innovation Act,* specified that DOE laboratories do not allocate costs of G&A overhead to LDRD. The prohibition does not apply to certain national security laboratories.
- Public Law 116-260, *Continuing Appropriations Act of 2021, Division Z, Energy Act of 2020*, establishes that in FY 2021, NETL shall be eligible for LDRD funding.
- Public Law 116-260, Section 4006, 134 STAT 2545, which amends Subtitle F of title IX of the *Energy Policy Act of 2005* (42 USC 16291 et seq.) Sec 969C, establishes that beginning in fiscal year 2021, NETL shall be eligible for LDRD funding.
- Public Law 117-81, Section 3134 *Report on Plant-Directed Research and Development*, Section 4812A of the *Atomic Energy Act* (50 USC 2793) made amendments to the law, PDRD must now be disaggregated by nuclear weapons production facility broken out by percentage and explanation on how each facility plans to increase availability of funds.
- Public Law 117-263, Section 3116(a) of the *National Defense Authorization Act for Fiscal Year 2023,* In General Section 4812 of the Atomic Energy

Defense Act (50 USC 2792) is amended by adding at the end the following new subsection:

> ''(c) LIMITATION ON USE OF FUNDS FOR OVERHEAD.—A national security laboratory may not use funds made available under section 4811(c) to cover the costs of general and administrative overhead for the laboratory.''

- Public Law 117-263, Section 3116(b) of the *National Defense Authorization Act for Fiscal Year 2023,* Repeal of Pilot Program. Section 3119 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328; 50 USC 2791 note) is repealed.
- Public Law 119-60, Section 6335 of the *National Defense Authorization Act for FY 2026*, which identifies limitations on use of funds for laboratory directed research and development purposes.
- Senate Report 114-236, as adopted by the explanatory statement for the *Consolidated Appropriations Act of 2017*, which directs DOE to ensure that laboratory operating contractors do not allocate G&A onto LDRD.
- 48 CFR Chapter 99, *Cost Accounting Standards*
- OMB Circular A-11 P*reparation, Submission, and Execution of the Budget,* Section 84, defines research and experimental activities.
- DOE Order 413.2C Chg 1, *Laboratory Directed Research and Development*, that establishes DOE requirements for LDRD while providing the laboratory director broad flexibility for program implementation.

V. Acronyms

CAS	Cost Accounting Standards
CFR	Code of Federal Regulations
DOE	Department of Energy
G&A	General and Administrative
LDRD	Laboratory Directed Research and Development
NDAA	National Defense Authorization Act
NETL	National Energy Technology Laboratory
NNSA	National Nuclear Security Administration
OMB	Office of Management and Budget
PDRD	Plant Directed Research and Development
PL	Public Law
SDRD	Site Directed Research and Development
USC	United States Code

[i] The PDRD guidance document provides guidance and instructions for the implantation of National Nuclear Security Administration's (NNSA) Plant Directed Research, Development, and Demonstration (PDRD) Site Programs. The guidance is issued annually to reflect changes in legislative requirements, reporting, organizational changes and reporting requirements.

[ii] Budget and Reporting Code (B&R) is a nine-character expenditure code that indicates the project, type of expenses, and/or organization.

SUBJECT: MAY 2026 UPDATE TO CHAPTER 15.2, *LABORATORY, PLANT, AND SITE DIRECTED RESEARCH AND DEVELOPMENT*

1. EXPLANATION OF CHANGES: These changes add language on the application of LDRD, PDRD or SDRD rate under Inter-Contractor Work (ICW). Added a reference to Public Law 119-60 which identifies limitations on use of funds for laboratory directed research and development purposes.

2. LOCATIONS OF CHANGES: Added section II.G. Inter-Contractor Work for Transactions between Integrated Contractors and added Public Law 119-60 to IV. References section.

Page	Section	Section Title	Summary
15.2-6	II.G.	Inter-Contractor Work for Transactions between Integrated Contractors	Added language on the application of LDRD, PDRD, or SDRD rate under Inter-Contractor Work (ICW).
15.2-8	IV.	References	Added Public Law 119-60

CHAPTER 15.3
PRODUCTION COST ACCOUNTING

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I. Introduction

I.A. Purpose

This chapter outlines the Department of Energy's (DOE or Department) policy for determining the cost of items produced by DOE, for purposes of pricing and accounting, when the production activity is not a final cost objective.

When production constitutes a separate final cost objective under a DOE contract, production cost will be the total cost of the relevant final cost objective.

I.B. Applicability

DOE Management and Operating contracts and other contracts with the DOE Acquisition Regulation (DEAR) Clause 970.5232-3, *Accounts, Records, and Inspection*, or any successor clause(s). Departmental Elements may determine the applicability of this policy to other site/facility management contractors.

This chapter does not apply to products produced by DOE Federal entities. Federal entities should follow the guidance in Statement of Federal Financial Accounting Standard (SFFAS) 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, to calculate product cost.

DOE contractors are required to follow the Cost Accounting Standards (CAS) codified in 48 CFR Part 9904. Specific implementation guidance for the application of CAS by DOE contractors is contained in Chapter 15.1 of the *DOE Financial Management Handbook*.

The National Nuclear Security Administration's (NNSA) *Stockpile Weapons, Components, and Nuclear Material Financial Accounting Guide* addresses stockpile and nuclear material activities and should be used in conjunction with the guidance in this chapter as appropriate.

II. Production Cost Accounting Guidance

II.A. Elements of Product Cost

II.A.1. **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, 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.

II.A.2. **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 a product or job.

II.A.3. **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.

II.A.4. **Indirect Costs**

Indirect Production Costs

The cost of all production support and superintendence. A proper allocation of the contractor's indirect costs typically allocated to all cost objectives at a particular site, such as General and Administrative expenses, should be included in the product cost.

II.A.5. **Costs Categorized as Direct or Indirect 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.

II.B. Exclusions from Product Cost

II.B.1. **Research and Development**

The cost of basic research and development 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 research and development 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.

II.B.2. **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 General and Administrative expenses. Standby costs[i] are distinct

from excess capacity[ii] costs where production is occurring but at a capacity less than normal or other level of capacity.

II.B.3. **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 when a specific program has been designated to maintain and fund the excess capacity.

An example is where the deliberate sizing of the production facility is based upon projected levels of production over the short term in addition to maintaining 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. 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.

Excess capacity costs must be supported by either historical cost data from a period of operation at full or normal capacity or an engineering determination of practical capacity. Excess capacity costs should be treated as period costs and should not be included in the cost of the product.

II.B.4. **DOE Federal Operation Costs**

The cost of DOE program management and support, such as program direction[iii] costs, is excluded from product cost.

II.B.5. **Startup Costs**

All operation costs associated with testing, training staff, and similar expenses involved in preparations for production at new facilities or reactivated standby facilities, is excluded from product cost.

II.B.6. **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.

II.B.7. **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.

II.B.8. **Costs Related to Waste Materials**

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. Costs related to waste materials are excluded from product cost.

II.B.9. **Dismantlement and Disassembly**

Costs associated with the dismantlement and disassembly, including dismantlement and disassembly of weapons, weapon components, and weapon systems, are excluded from product cost.

II.B.10. **Depreciation and Imputed Interest**

Depreciation and imputed interest are excluded from product cost consistent with the definition of full cost contained in 42 USC 7259a, *Activities of Department of Energy facilities*. These costs are captured in the Federal Administrative Charge[iv].

II.C. Transfer Prices for Work-in-Process

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.

II.D. Use of Standard Costing for Production

II.D.1. **Use of Standard Costing**

Use of Standard Costing should be compliant with 48 CFR 9904.407, *Use of Standard Costs for Direct Material and Direct Labor*. This policy provides additional application guidance for DOE facilities.

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 policy.

II.D.2. **General Guidelines**

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.

II.D.3. **Reviewing Standard Costs**

An analysis of standard cost variances should be performed and used in establishing standard costs for the subsequent year. CAS 407(b)[v] specifies "standard costs and related variances are appropriately accounted for at the level of the production unit."

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.

II.D.4. **Disclosing Practices for Standard Costs**

Consistent with the requirements of CAS 407-40(c),[vi] contractors must disclose[vii] and consistently follow practices with respect to the setting and revising of standards, use of standard costs, and disposition of variances.

III. REFERENCES

III.A. 42 USC 7259a, *Activities of Department of Energy Facilities*

III.B. 48 CFR Part 9904, *Cost Accounting Standards*

III.C. 48 CFR 9904.407, *Use of Standard Costs for Direct Material and Direct Labor*

III.D. Department of Energy Acquisition Regulation (DEAR) clause 970.5232-3, *Accounts, Records, and Inspection*

III.E. Statement of Federal Financial Accounting Standard (SFFAS) 4, Managerial *Cost Accounting Concepts and Standards for the Federal Government*

III.F. DOE Financial Management Handbook, Chapter 15.1 *DOE Application of Cost Accounting Standards*

III.G. National Nuclear Security Administration's (NNSA) *Stockpile Weapons, Components, and Nuclear Material Financial Accounting Guide*

IV. ACRONYMS

CAS	Cost Accounting Standards
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
DEAR	DOE Acquisition Regulation
DOE	Department of Energy
NNSA	National Nuclear Security Administration
SFFAS	Statement of Federal Financial Accounting Standards
USC	United States Code

[i] Standby costs are the costs of maintaining the safety and stability of a production facility pending a restart of work.

[ii] FAR 31.205-17 -- Idle Facilities and Idle Capacity Costs (a) "Costs of idle facilities or idle capacity means costs such as maintenance, repair, housing, rent, and other related costs, e.g., property taxes, insurance, and depreciation. Facilities means plant or any portion thereof (including land integral to the operation), equipment, individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the contractor. Idle capacity means the unused capacity of partially used facilities. It is the difference between that which a facility could achieve under 100 percent operating time on a one-shift basis, less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays, and the extent to which the facility was actually used to meet demands during the accounting period. A multiple-shift basis may be used in the calculation instead of a one-shift basis if it can be shown that this amount of usage could normally be expected for the type of facility involved. Idle facilities means completely unused facilities that are excess to the contractor's current needs. (b) The costs of idle facilities are unallowable unless the facilities (1) Are necessary to meet fluctuations in workload; or (2) Were necessary when acquired and are now idle because of changes in requirements, production economics, reorganization, termination, or other causes which could not have been reasonably foreseen. (Costs of idle facilities are allowable for a reasonable period, ordinarily not to exceed 1 year, depending upon the initiative taken to use, lease, or dispose of the idle facilities (but see 31.205-42)). (c) Costs of idle capacity are costs of doing business and are a factor in the normal fluctuations of usage or overhead rates from period to period. Such costs are allowable provided the capacity is necessary or was originally reasonable and is not subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economics, or security practices. Widespread idle capacity throughout an entire plant or among a group of assets having substantially the same function may be idle facilities. (d) Any costs to be paid directly by the Government for idle facilities or idle capacity reserved for defense mobilization production shall be the subject of a separate agreement.

[iii] Program direction costs covers the salaries, benefits, contractual services, and travel of federal employees.

[iv] The federal administrative charge is a legally mandated fee typically three percent of a reimbursable work agreement. DOE policy regarding collection of the federal administrative charge is contained in DOE Order 522.1A, Pricing of Departmental Materials and Services

[v] 48 CFR 9904.407

[vi] 48 CFR 9904.407(c)

[vii] Relevant section of the CAS Disclosure Statement includes lines 2.4 and 2.6 of Form CASB DS-1. Other necessary disclosures should be added as needed to adequately describe the contractor's practices regarding the use of standard costs.

CHAPTER 15.5
WORK STOPPAGES

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I. INTRODUCTION

I.A. Purpose and Scope

The chapter provides procedures for identifying, collecting, and reporting of costs resulting from work stoppages. Tracking the cost of each work stoppage supports Department of Energy (DOE or Department) requirements for reporting and assessing budgetary impacts. At the discretion of the Contracting Officer, data gathered from monitoring work stoppage costs may support contractor performance evaluations and allowable cost determinations.

I.B. Applicability

This chapter applies to all DOE site/facility management contractors unless superseded by more specific contractual requirements. A work stoppage can involve an entire site, a remote facility, or a sub-organization that meets the thresholds specified in Section II.A. of this chapter.

II. REQUIREMENTS

II.A. Basic Requirement

Contractors are required to account for and report the total costs associated with each work stoppage that exceeds both of the following: (1) two full consecutive operational days in duration; and (2) costs incurred estimated to exceed $500,000.

Contractors are responsible for establishing procedures to ensure work stoppage costs are tracked even when it is not known at the inception of the work stoppage that the cost will exceed $500,000 and the duration will exceed two consecutive operational days.

II.B. Work Stoppages that Require Cost Tracking

II.B.1. Disasters

Work delays or disruptions that result from disasters, declared by the President or State and local officials including, but not limited to, weather related disasters such as hurricanes, public health pandemics or wildfires.

II.B.2. Security and Accident Investigations

Disruptions caused by security and accident investigations conducted in accordance with DOE Order 225.1B, *Accident Investigations*.

II.B.3. Violations of DOE Nuclear Safety Requirements

Stoppages that result from violations of DOE nuclear safety requirements in keeping with Public Law 100-408, *Price-Anderson Amendments Act of 1988*.

II.B.4. Shutdown and Curtailment of Work for Emergency

A shutdown or curtailment[i] of work at a DOE facility directed by a senior Departmental management official or Contracting

Officer involving a safety or emergency incident in keeping with DOE Order 232.2, *Occurrence Reporting and Processing of Operations Information*.

II.B.5. Shutdown Over Radiation and Environmental Health and Safety Concerns

A work stoppage or shutdown as provided in the following Department of Energy Acquisition Regulation (DEAR) Clauses:

II.B.5.i. DEAR 952.223.72, *Radiation Protection and Nuclear Criticality; and*

II.B.5.ii. DEAR 970.5223-1, *Integration of Environmental Safety and Health into Work Planning and Execution.*

II.B.6. Inclement Weather

Temporary site closures due to inclement weather.

II.C. Exclusions

Routine maintenance, safety pauses, timeouts, or training sessions to maintain worker safety awareness are not work stoppages that require separate tracking of cost information as contemplated in this chapter. Contractors should consult with their Contracting Officer if it is not clear whether an event constitutes a work stoppage requiring tracking of costs.

II.D. Composition of Full Cost

Full cost comprises all costs associated with the following activities:

II.D.1. Maintaining a facility or activity in a stand down mode.

II.D.2. Shutting down facilities or activities.

II.D.3. Restarting facilities or activities.

II.D.4. Transitioning facilities and personnel to other approved and funded work.

II.D.5. Cleanup, investigative, and remediation activities that are specifically associated with a work stoppage.

II.D.6. Any non-productive labor resulting from idleness or no activity taking place as a result of the work stoppage including weather and safety leave or idle time, if applicable; and

II.D.7. Costs of adjusting processes and procedures to reflect local conditions (such as purchase of personal protection equipment, and reconfiguring operations to accommodate social distancing).

Costs associated with labor or other resources that are productively reassigned[ii] to other activities do not constitute work stoppage costs.

II.E. Tracking Costs

Contractors will maintain the capability to separately record the costs associated with each work stoppage and should begin tracking costs as soon as feasible after a work stoppage commences.

II.E.1. Contractors must ensure that costs for each work stoppage are appropriately burdened in accordance with their disclosed cost accounting practices.

II.E.2. Prime contractors must ensure that subcontract costs incurred as a result of each work stoppage are properly tracked.

II.F. Reporting Costs

Contractors are required to report the total costs incurred for each individual work stoppage meeting the criteria specified in sections II.A.

Reports should be provided to the Contracting Officer and the Designated Financial Officer on a quarterly basis, or more frequently if directed by the Contracting Officer.

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 additional 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 period, no report is required.

III. REFERENCES

III.A. Public Law 100-408, *Price-Anderson Amendments Act of 1988,* extends and improves the procedures for liability and indemnification for nuclear incidents.

III.B. DEAR 952.223.72, *Radiation Protection and Nuclear Criticality,* applicable for work performed at a facility where DOE needs to enforce radiological safety and health standards rather than relying on Nuclear Regulatory Commission licensing requirements.

III.C. DEAR 970.5223-1, *Integration of Environment, Safety and Health into Work Planning and Execution,* requires the contractor to perform work safely, in a manner that ensures adequate protection for employees, the public, and the environment.

III.D. DOE Order 225.1B, Accident Investigations, prescribes organization responsibilities, authorities, and requirements for conducting investigations of certain accidents occurring at DOE sites, facilities, areas, operations, and activities.

III.E. DOE Order 232.2, *Occurrence Reporting and Processing of Operations Information,* notifies DOE personnel of events that could adversely affect the health and safety of the public or the workers, the environment, DOE missions, or the credibility of the Department.

[i] A curtailment is a shortening or reduction in the scope or work that may result in a complete shutdown.
[ii] If the workers can be transferred to telework or moved to other projects that are not impacted by the stoppage, those costs are not collected.

CHAPTER 16
FEDERAL PAYROLL ACCOUNTING

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I. Introduction

I.A. Purpose

This chapter outlines the principles, responsibilities, operating procedures, and other general information for preparing payroll and maintaining pay and leave records for civilian employees of the Department of Energy (DOE).

I.B. Applicability

This chapter applies to all departmental elements that have payroll services furnished by the Defense Finance and Accounting Service (DFAS)[1]. This chapter does not apply to contractors for DOE. The Bonneville Power Administration (BPA) and Federal Energy Regulatory Commission (FERC) are excluded from the provisions of this chapter. Both entities maintain policies and procedures governing their payroll servicing.

I.C. Policy

The Office of Personnel Management's (OPM) selected four providers to furnish payroll services for executive branch agencies[2]. DOE payroll processing was migrated to DFAS under the E-Payroll Initiative[3]. The E-Payroll Initiative was established to standardize and consolidate government-wide federal civilian payroll services and processes by simplifying and standardizing policies and procedures, better integrating payroll, human resources, and finance functions.

I.D. Payroll Responsibilities

I.D.1. Defense Finance and Accounting Service

DFAS and DOE are responsible for maintaining system requirements in compliance with all applicable laws and regulations issued by OPM, federal and other taxing authorities, the Department of Labor, the Department of State, the Department of Treasury, and the Office of Management and Budget (OMB).

DFAS establishes the necessary systems, policies, and procedures for payroll preparation, consistent with DOE's memorandum of agreement with DFAS.

I.D.2. Office of Finance and Accounting

Leads payroll operations and accounting for DOE, coordinating payroll activities with DFAS and the Office of Human Capital Management (HC).

I.D.3. Office of Corporate Business Systems

Manage systems to support payroll operations, including appropriate interfaces with DFAS and HC systems.[4]

I.D.4. Office of Human Capital Management

Process salary and benefits actions that determine the amounts to be paid and the amounts withheld from salary.

I.D.5. Departmental Elements

Departmental elements manage and monitor their salary and benefit expenses as part of the budget execution process, in accordance with DOE Order 130.1A, *Budget Planning, Formulation, Execution, and Departmental Performance Management.*

II. Payroll Operations

II.A. DFAS Payroll System

DFAS records payroll data, including adjustments and supplements, into the Defense Civilian Payroll System (DCPS) in accordance with laws and regulations, as applicable. DFAS performs the following functions consistent with its memorandum of agreement with DOE:

II.A.1. Pay the net pay due, biweekly, by electronic funds transfer (direct deposit) to the employee's financial institutions.

II.A.2. Promptly process accurate payments to all persons entitled subject to compliance with applicable laws, regulations, DOE policies, and legal decisions.

II.A.3. Prepare accurate and timely payroll records.

II.A.4. Promptly record accounting entries for the disposition of all authorized deductions from gross pay.

II.A.5. Maintain control over the retention and disposition of payroll related documents.

II.A.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.

II.A.7. Review payroll operations continually, adjusting for efficiency, effectiveness, and economic soundness to ensure that DFAS' payroll systems comply with all legal requirements.

II.B. Power Marketing Administration Payroll Operations

The payroll accounting for Southeastern Power Administration (SEPA), Southwestern Power Administration (SWPA), and Western Power Administration (WAPA) is processed through DOE's Automated Time and Attendance Production System (ATAAPS), DOE's payroll reporting system.

For these entities, DOE does not process or post payroll costs because the entities do not use DOE's core accounting system, Standard Accounting and Reporting System (STARS). Payroll costs for SEPA,

SWPA, and WAPA are processed through G-Invoicing to DOE Headquarters.[5]

II.C. Internal Controls and Segregation of Duties

II.C.1. DOE Initiated Payroll Changes

An effective system of internal controls requires the separation of duties between the payroll and human resource offices. HC must document all changes in payroll and deductions and communicate those changes to DFAS according to current procedures.

The Office of Finance and Accounting (OFA) payroll team does not have any authority over the establishment of pay rates. Actions related to pay are processed through the Corporate Human Resources Information System (CHRIS) by DOE Resource Managers (or equivalent) personnel[6].

II.C.2. Employee-Initiated Adjustments

For employee-initiated adjustments, such as Thrift Savings Plan (TSP) and address changes, the employee shall furnish authorization in writing or through the Department of Energy's Employee Self Service (ESS) site or the myPay site, as applicable.

II.C.2.i. HC shall maintain a record of the employee's authorization for benefit adjustments submitted in writing in the employee's electronic Official Personnel Folder (eOPF), which is the electronic successor to Standard Form 66.

II.C.2.ii. DOE retains electronic records of transactions submitted via ESS and myPay systems.

III.C.2.iii. OFA shall maintain a record of the employee's authorization for deduction adjustments submitted in writing.

II.C.3. Segregation of Duties

Segregation between payroll accounting and time and attendance certification personnel performing the payroll accounting activity do not certify time and attendance records.

II.C.4. Information Provided to Employees

Earnings and leave statements are made available to employees via the myPay website. Employees are responsible for verification of leave and earnings information and must timely notify their supervisor and payroll accounting officer of any errors noted on their leave and earnings statements.

II.D. Accounting

II.D.1. Recording Time and Attendance

DOE utilizes ATAAPS, a DFAS system, to record time and attendance and charge salary costs to the appropriate funding source. Requirements for recording time and attendance are specified in DOE Order 322.1C Chg.1., *Pay and Leave Administration and Hours of Duty*.

II.D.2. Charging Payroll Costs to the Appropriate Funding Source

II.D.2.i. OFA establishes ATAAPS work center, task, and job order codes to allow the payroll system to charge costs to the appropriate budgetary funding source.

II.D.2.ii. OFA maintains accounting codes in ATAAPS and the related task table in DOEInfo. OFA payroll accountants enter adjustments in DOEInfo and run a series of STARS Labor Distribution System interfaces to record salary and benefits data into STARS.

II.D.2.iii. OFA may establish task codes within ATAAPS to allow individuals to charge the time to a departmental element outside of their assigned organization. Departmental elements must ensure that individuals are allocating their payroll expenditures to the correct task codes. As needed and upon request, OFA removes ATAAPS task codes deemed invalid or no longer available for use.

II.D.3. Verification of Payroll Data

II.D.3.i. OFA ensures that payroll data is processed accurately, confirming that time and attendance records are certified by appropriate DOE officials. OFA verifies that electronic documents received or collected from HC or the employee are reviewed to ensure their accuracy and acceptability before submitting to DFAS.

II.D.3.ii. Office of Corporate Business Systems provides summary reports of each employee's time and attendance records to their assigned certifier for review and verification via ESS.

II.D.4. Budget Execution

Departmental elements may utilize the following information to manage budget execution for salary and benefits costs.

II.D.4.i. Payroll expenditure information is available from the DOE Accounting System (STARS) for most departmental elements. STARS generates aggregate payroll

expenditure data in obligation, cost, and payment reports arranged by departmental element.

II.D.4.ii. Payroll information is also available from DOEInfo. DOEInfo reports show various levels of employee information for a given organization. These reports are run by employee organization, not funding source.

II.D.4.iii. Information is also available from the Payroll Labor & Distribution System (PLDS). PLDS reports may be generated by an approved financial plan fund type and show all charges to a fund code regardless of the employee's organization. DOE departmental elements can monitor any payroll expenses incurred by employees assigned to another organization. PLDS reports show salary and benefits charges for any program that has established ATAAPS task codes and allows another program's employees to bill the program for hours worked.

Access to PLDS system is provided as appropriate by the OFA payroll team.[7]

II.D.5. Reporting Non-cash Fringe Benefits

Internal Revenue Service (IRS) regulations require certain non-cash fringe benefits to be included in employee taxable wages. In accordance with current guidance provided by the OFA payroll team, departmental elements must provide OCFO with information on non-cash fringe benefits for inclusion in the taxable wages of its federal employee.

III. Acronyms

ATAAPS	Automated Time and Attendance Production System
BPA	Bonneville Power Administration
CHRIS	Corporate Human Resources Information System
DCPS	Defense Civilian Payroll System
DFAS	Defense Finance and Accounting Service
DOE	Department of Energy
eOPF	Electronic Official Personnel Folder
ESS	Employee Self Service
FERC	Federal Energy Regulatory Commission
HC	Office of Human Capital Management
IRS	Internal Revenue Service

OCFO	Office of the Chief Financial Officer
OFA	Office of Finance and Accounting
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PLDS	Payroll Labor & Distribution System
SEPA	Southeastern Power Administration
STARS	Standard Accounting and Reporting System
SWPA	Southwestern Power Administration
TSP	Thrift Savings Plan
WAPA	Western Power Administration

IV. References

IV.1. DOE Order 130.1A**,** *Budget Planning, Formulation, Execution and Departmental Performance Management*, which establishes policies and responsibilities for Department of Energy (DOE) Budget Formulation, Execution, and Funds Control in accordance with Office of Management and Budget (OMB) policy and applicable federal laws.

IV.2. DOE Order 206.1A, *Department of Energy Privacy Program*, which implements the Privacy Act of 1974 (Public Law 93-759) at DOE and establishes certain minimum standards for handling and processing personal information, for preserving system security, and for safeguarding the confidentiality of privacy act information.

IV.3. DOE Order 322.1C Chg 1*, Pay and Leave Administration and Hours of Duty*, establishes requirements and responsibilities for the management of pay, including overtime pay and compensatory time, leave administration, time and attendance reporting, and hours of duty.

IV.4. DOE Order 323.1 Chg 1, *Garnishment of Federal Employee's Pay*, outlines responsibilities and requirements for the garnishment of DOE employee pay.

IV.5. DOE Order 533.1A, *Current and Former Employee Debts Owed to the United States*, provides polices for establishing and collecting employee debts and, when appropriate, the suspension, compromise, or waiver of employee debts.

IV.6. *HC Policy Memoranda and desk references are available at the DOE* Office of the Chief Human Capital Officer website (https://www.energy.gov/hc/hc-policy-and-guidance).

IV.7. The Office of Allowances in the Bureau of Administration develops and coordinates policies, regulations, standards, and procedures to administer the government-wide allowances and benefits program abroad under the Department of State Standardized Regulations (DSSR). Guidance issued by the U.S Department of State covers DOE employees stationed overseas.

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1 DFAS is a subcomponent of the Department of Defense.
2 OMB Memorandum M-03-05, *Consolidating and Standardizing Federal Civilian Payroll Processing*
3 DOE migration to DFAS as its payroll servicer occurred during fiscal year 2003.
4 See section III.B of Chapter 4 of the Financial Management Handbook for a description of relevant financial systems.
5 See section VIII of Chapter 13.1 of the Financial Management Handbook chapter for a description of the use of G-Invoicing for interagency agreements, and see section 1.c of chapter 12 of the DOE Financial Management Handbook for a description of inter-entity transactions with DOE elements that do not utilize the STARS accounting system.
6 DOE Resource Managers (or equivalent) personnel use Standard Form (SF) 52, Request for Personnel Action, to initiate personnel activities via CHRIS.
7 Access to PLDS may be requested through DOE's Employee Self Service website.

Chapter 17 - Reserved

CHAPTER 18

FINANCIAL MANAGEMENT OF CONTRACTOR ROYALTIES AND OTHER LICENSING INCOME

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I. Introduction

I.A. Purpose

This chapter clarifies DOE and contractor responsibilities and procedures to account for and report royalties and other income resulting from licensing of government-funded inventions at DOE contractor-operated sites.

I.B. Applicability

This chapter applies to contracts containing the clause 48 CFR 970.5227-3, *Technology Transfer Mission* and to DOE offices with financial management oversight responsibilities for applicable contracts.[1] References to contractors in this chapter refer specifically to entities performing contracts that include the clause at 48 CFR 970.5227-3.

I.C. Background

I.C.1. Bayh-Dole Act of 1980

In 1980, Congress passed the Bayh-Dole Act of 1980 (Public Law 96-517) authorizing non-profit and small business contractors to retain the title of government funded inventions to incentivize commercialization. DOE's contractor operated facilities operated by non-profit organizations therefore may retain title to inventions, including the right to collect royalties. Other entities, for example large businesses, are provided similar rights through a DOE patent waiver. In each case, the authorization is reflected in the contract with DOE.

I.C.2. National Competitiveness Technology Transfer Act of 1989

The Department of Energy National Competitiveness Technology Transfer Act of 1989 established technology transfer as a mission for Government-owned, contractor-operated facilities, including weapons production facilities, and authorizes those facilities to negotiate and award cooperative research and development agreements with public and private entities for purposes of conducting research and development and transferring technology to the private sector.

The Department has authorized specified contractors (see I.B of this chapter) to patent and license Intellectual Property (IP) arising from research and development (R&D) activities and through technology partnering arrangements, encouraged its contractors to collaborate with non-federal entities on R&D activities.

I.D. Exclusions

I.D.1. Government-Owned Intellectual Property

This chapter does not apply to government-owned intellectual property or royalties and other income or assets received by licensing government-owned intellectual property.

I.D.2. Use of Funds

This policy does not address compliance with respect to how DOE's M&O contractors use royalties or other income earned pursuant to the performance of authorized technology transfer activities[2].

I.D.3. Conflicts of Interest

This chapter does not provide requirements or guidance relating to the identification and prevention of conflicts of interest, which are specified in 48 CFR 970.5227-3, *Technology Transfer Mission*, paragraph (d) Conflicts of Interest - Technology Transfer.

I.D.4. Corporate Accounting and Reporting Requirements

This chapter addresses accounting and reporting requirements applicable to DOE's management of technology transfer activities consistent with DOE contract requirements.

This chapter does not address any separate public accounting and reporting requirements applicable to DOE contractors and their corporate parents that are not related to their contractual relationship with DOE.

I.D.5. National Energy Technology Laboratory

This chapter does not apply to the National Energy Technology Laboratory (NETL), a government owned and operated facility. Any licensing revenue or assets received by NETL represent DOE assets and must be accounted for in DOE's accounting records.

NETL must also provide information responsive to the Technology Transfer Annual Data Call.

I.E. Financial Management Responsibilities

I.E.1. Office of Technology Commercialization

As specified by DOE Policy 482.2[3], *Laboratory Technology Transfer Data Collection and Management*, the Office of Technology Commercialization (OTC) is responsible for collecting a wide variety of metrics related to technology transfer, including information from DOE contractors regarding royalties and other income earned or retained as a result of technology transfer activities. This data collection activity is referred to as the DOE Annual Technology Transfer Data Call.

I.E.2. CFO Office of Finance and Accounting

The CFO Office of Finance and Accounting (CF-10) is responsible for assessing whether royalties and other income derived from

licensing of inventions requires the remittance of excess funds to the Department of Treasury, as specified at 48 CFR 970.5227-3, *Technology Transfer Mission*, paragraph (h)(1).

I.E.3. Program Offices are responsible for overseeing the management of the M&O contractor's annual laboratory institutional plan, and plans documenting the use of licenses, royalties, and other income, as specified in DOE P 112.1 [4]

I.E.4. National Laboratory M&O Contractors

M&O contractors are responsible for managing, monitoring, accounting and reporting their licenses and resulting royalties and other income, consistent with contract requirements, including the clause at 48 CFR 970.5227-3.

Contractors must maintain appropriate internal controls for managing, monitoring, accounting, and reporting on licenses and resulting royalties and other income, consistent with contract requirements. Contractual requirements relating to internal controls include the clause at 48 CFR 970.5203-1, Management Controls, and the Contractor Requirements Document included in DOE Order 520.1B, *Financial Management and Chief Financial Officer Responsibilities*.

II. Requirements

II.A. Exclusion from DOE Accounting Records

Royalty or other income received for licensing contractor-owned intellectual property must be used by the contractor for scientific research, development, technology transfer, and education at the Laboratory, consistent with the research and development mission and objectives of the Laboratory and subject to Section 12(b)(5) of the Stevenson-Wydler Technology Innovation Act of 1980, as amended (15 U.S.C. 3710a(b)(5)) and Chapter 38 of the Patent Laws (35 U.S.C. 200 et seq.) as amended through the effective date of this contract award or modification, unless the threshold for excess income (see section II.E) is met.

Neither the contractor retained intellectual property nor any income deriving from the licensing of those assets are recorded in the DOE's accounting system, STARS[5], as part of the official Departmental accounting records[6], unless the threshold for excess income is met per the requirements described in section II.E of this chapter. When the excess income threshold is met (see section II.E. of this chapter), excess income must be accounted for in DOE accounting records. Accounting entries as needed are made by the CFO Office of Finance and Accounting.

II.B. Contractor Accounting

II.B.1. Separate Records and Set of Accounts

Technology transfer activities, including licensing of contractor-owned intellectual property, is performed under the M&O contract in a manner consistent with applicable contract provisions. Thus, contractors must maintain a separate, distinct set of accounts, records, and other supporting evidence or documentation representative of collections (including non-monetary assets such as equity) accruing to the contractor as result of technology transfer activities, consistent with the clause at 48 CFR 970.5232-3, *Accounts, Records, and Inspection*.

II.B.2. Licensing Activities

When contractors enter into license agreements that grant rights to third parties to commercialize technologies that embody or are made using DOE-funded intellectual property, the contractors are required to record financial information from each such license after execution, modification, amendment, and termination.

II.B.3. Financial Intangibles

When licensing or royalty terms include financial intangibles, such as equity holdings, as a part of the negotiated license or royalty consideration, an annual disclosure is required of any equity holdings or other assets received in consideration for licensing IP. This disclosure will be made by M&O contractors through the annual Technology Transfer Data Call.

Any revenues realized from sale or transfer of equity holdings are reported through the annual Technology Transfer Data Call by the contractor in the period in which the revenue is realized by sale or transfer of the equity holdings or other assets.

II.B.4. Expenses for Administration of Inventions

Contractors must comply with the provisions of 48 CFR 970.5227-3, paragraph (h) to report excess income. The calculation of net excess income (see section II.E of this chapter) may exclude expenses for administration of the inventions.

II.C. Collections

Contractor collections related to licenses, royalties, and other income, including revenue from the sale of equity holdings, must be segregated from other DOE collections relating to the performance of the DOE contract—they should not be collected in the DOE Letter of Credit account.

II.D. Use of Licensing Revenue for DOE Contract Activities

Activities funded by contractor licensing revenues that fall under the scope of the DOE contract must be funded in a manner consistent with contract requirements and applicable direction from the Contracting Officer.

II.E. Excess Income from Licensing Activities

II.E.1. General Requirement

Net income from licensing activities in a given fiscal year that exceeds 5 percent of the annual budget of the contractor-operated facility constitutes excess income.[7]

II.E.2. Disposition of Excess Income

Fifteen percent of excess income shall be paid to the Treasury of the United States as miscellaneous receipts, consistent with requirements of the Stevenson-Wydler Technology Innovation Act of 1980, as specified in 48 CFR 970.5227-3, paragraph (h). The remaining 85 percent is retained by the contractor for allowable uses.

The CFO Office of Finance and Accounting is responsible for the identification of excess income and any required deposits to miscellaneous receipts resulting from excess income.

II.F. Reporting

II.F.1. Contractor Requirements

DOE contractors must report financial data for technology transfer activities annually in accordance with contract requirements.

II.F.2. OTC Requirements

OTC is responsible for collecting financial information relating to technology transfer activities, consistent with DOE Policy 482.2, *Laboratory Technology Transfer Data Collection and Management.*

II.F.3. Provision of Financial Data to CFO

OTC will coordinate with the CFO Office of Finance and Accounting to ensure that data collection provides sufficient information to meet the requirements specified in II.E of this chapter.

OTC must provide the CFO Office of Finance and Accounting with financial data sufficient to meet the requirements specified in section II.E. of this chapter.

II.G. Transfer of Assets

In the event of termination or upon the expiration of contract, any unexpended balance of income received for use at the Laboratory shall be transferred, at the Contracting Officer's request, to a successor contractor, or in the absence of a successor contractor, to such other

entity as designated by the Contracting Officer. See 48 CFR 970.5227-3, *Technology Transfer Mission*, paragraph (i).

III. Acronyms

ACT	Agreement for Commercializing Technology
CF-10	CFO Office of Finance and Accounting
CFO	Chief Financial Officer
DEAR	Department of Energy Acquisition Regulation
DOE	Department of Energy
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAO	Government Accountability Office
IP	Intellectual Property
M&O	Management and Operating
NNSA	National Nuclear Security Administration
OTC	Office of Technology Commercialization
R&D	Research and Development
SPP	Strategic Partnership Program
STARS	Standard Accounting and Reporting System

IV. References

IV.1. 15 U.S.C. Section 3701 – *Statement of Findings on Technology Innovation,* which establishes federal policy on the commercialization of federally funded innovations.

IV.2. Public Law 96-517 – *Bayh-Dole Act of 1980*, authorizing non-profit and small business contractors to retain title to government-funded inventions to incentivize commercialization.

IV.3. Public Law 101-189 – *National Defense Authorization Act* (1990-1991), Section 3131, which outlines the guidelines for technology transfer and innovation

IV.4. 48 CFR 970.2770-3 – *Technology Transfer and Patent Rights*

IV.5. 48 CFR 970.5227-3 – *Technology Transfer Mission*, Outlining allowable costs and disposition of income.

IV.6. 48 CFR 970.5232-2 – *Payments and Advances*, addressing government property and contractor royalties

IV.7. DOE O 483.1B – *DOE Cooperative Research and Development Agreements*

IV.8. DOE O 520.1B – *Financial Management and Chief Officer Responsibilities.*

IV.9. DOE P 482.2 – *Laboratory Technology Transfer Data Collection and Management*

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[1] As specified by 48 CFR 970.2770-4, the contracting officer shall insert the clause at 970.5227-3, Technology Transfer Mission, in each solicitation for a new or an extension of an existing laboratory or weapon production facility management and operating contract.

[2] The disposition of income generated from technology transfer activities is addressed in DEAR 970.5227-3(h).

[3] On May 15, 2015, DOE issued a press release renaming the *Office of Technology Transitions* to *Office of Technology Commercialization.*

[4] DEAR 970.5227-3(h)(2) sets forth the requirement of an annual Lab plan to include how license revenues will be applied by the contractor along with an annual accounting of how the funds were, or will be, used.

[5] DOE Financial Management Handbook, Chapter 4, *Accounting Systems*, contains a description of DOE's accounting systems

[6] DEAR 970.5232-2(h) excludes contractor royalties and other income resulting from technology transfer activities from government property.

[7] Excluding inventions subject to 48 CFR 970.5227-3 Alternate I (Privately funded technology transfer),

CHAPTER 19.1
NUCLEAR WASTE FUND

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SUBJECT: OCTOBER 2026 UPDATE TO CHAPTER 19.1 9

I. Introduction

I.A. Purpose

This chapter provides the financial management requirements for the accounting, reporting, and use of funding for the Nuclear Waste Fund (Fund). Also, this chapter applies to DOE organizations that receive funding derived from the Nuclear Waste Fund.

I.B. Background

The Nuclear Waste Policy Act of 1982 (P.L. 97-425), as amended, established the Nuclear Waste Fund, which authorized the Department to charge fees to the civilian owners and generators of used nuclear fuel (UNF)[1] and high-level radioactive waste (HLW) for the disposal of their nuclear waste. DOE may use the Fund only for radioactive waste disposal activities permitted under the Nuclear Waste Policy Act when authorized by Congress.

I.C. Authorities

As part of the Nuclear Waste Policy Act, the statutory requirements for the Nuclear Waste Fund were codified in 42 USC 10222.

I.D. Applicability and Financial Management Responsibilities

I.D.1. Office of Nuclear Energy

The Office of Used Fuel and High-Level Waste Disposition within the Office of Nuclear Energy assumed certain functions from the Office of Civilian Radioactive Waste Management (OCRWM) created under the Nuclear Waste Policy Act of 1982, when funding for OCRWM ceased in Fiscal Year 2011.

The Office of Nuclear Energy manages use of funding appropriated to the Department of Energy for nuclear waste disposal activities and derived from the Nuclear Waste Fund.

I.D.2. Office of the Chief Financial Officer (CFO)

The CFO Office of Budget (CF-30) is responsible for Departmental Budget Formulation and Execution activities, including analyzing and coordinating appropriation requests for the funding and use of the Nuclear Waste Fund.

CFO's Office of Finance and Accounting (CF-10) is responsible for the accounting and financial reporting activities related to the Nuclear Waste Fund, including investment and collection.

I.D.3. Office of the General Counsel

The Office of the General Counsel is responsible for the management of certain Nuclear Waste Fund activities, providing recommendations for Fund investment, and the Standard Contract for the disposal of UNF and HLW between commercial nuclear utilities and the government regulated under 10 CFR Part 961.

I.D.4. Designated Financial Officers

Applicable Designated Financial Officers are responsible for the oversight and accounting of any funding received for their cognizant site derived from the Nuclear Waste Fund.

I.D.5. Site Facility Management Contractors

This chapter applies to M&O contractors performing functions funded by appropriations that derive from the Nuclear Waste Fund.

II. Source of Funds

II.A. Collections from Non-Federal Sources

The Nuclear Waste Policy Act of 1982 (P.L. 97-425) authorized the Department to charge fees to the civilian owners and generators of UNF and HLW for the disposal of their nuclear waste. Per DOE Order 522.1B, *Pricing of Departmental Materials and Services*, fees and costs for the storage and disposal of radioactive waste are determined in accordance with 42 USC 10222 and are exempt from the general pricing policy.

The fees charged to commercial owners and generators of UNF and HLW are governed under the Standard Contract regulated under 10 CFR Part 961. The per kilowatt-hour (kWh) portion of the fee was set to zero in 2014 and has not changed.

Collections are deposited in Treasury Account Symbol 089X5227, Nuclear Waste Disposal Fund, Energy Programs, Energy, a special fund account established by the Nuclear Waste Policy Act.

II.B. Investment Gains

DOE invests fund amounts in excess of current requirements in U.S. Treasury securities consistent with the authorities of 42 USC 10222(e)(3).

Investment gains are deposited into Treasury Account Symbol 089X5227.

III. Use of Funding

III.A. Budget Formulation Requirements

42 USC 10222(e)(2) requires the Secretary to submit the budget of the Nuclear Waste Fund to the Office of Management and Budget at least triennially. Nuclear Waste Fund appropriations are also subject to triennial authorization.

In practice DOE submits the budget for the Nuclear Waste Fund annually in the Department's Congressional Budget Justifications. The Department may only obligate and expend funds from the Nuclear Waste Fund subject to appropriations. Offices requiring funding from the Nuclear Waste Fund should follow current budget formulation guidance issued by the CFO Office of Budget.

III.B. Budget Execution Requirements

42 USC 10222(e)(4), exempts the Nuclear Waste Fund from the requirement for apportionments under subtitle II of chapter 15 of title 31 (31 USC 1512). However, in practice, DOE requests and OMB apportions any funding appropriated from the Nuclear Waste Fund.

DOE execution of the Nuclear Waste Fund is subject to the Administrative Control of Funds requirements specified in Chapter 2.2 of the handbook and guidance from the Office of Budget.

III.C. DOE Internal Reimbursable Transactions

42 USC 10222(d) lists the authorized uses of the Nuclear Waste Fund, including expenditures for nongeneric research and development under the Nuclear Waste Policy Act, and the administrative costs of the radioactive waste disposal program. Thus, any DOE Departmental Element supporting the radioactive waste disposal program may be reimbursed by the Nuclear Waste Fund.

DOE Federal entities seeking reimbursement for expenses should enter into a DOE Internal Reimbursable Transaction with the Office of Nuclear Energy, consistent with current procedures in section IV of Chapter 12 of the DOE *Financial Management Handbook*.

Contractors performing work funded by the Nuclear Waste Fund are subject to normal procedures for contract obligation. For M&O contractors, the Office of Nuclear Energy must preallocate funding for obligation on the contract and approve a Work Authorization[2] to specify the work performed.

III.D. Appropriations from the Nuclear Waste Fund for the Nuclear Waste Technical Review Board

The Nuclear Waste Technical Review Board (NWTRB) is an independent board within the Executive Branch. The NWTRB evaluates the technical and scientific validity of activities undertaken by DOE pertaining to site characterization, and packaging or transportation of UNF and HLW (42 USC 10262). 42 USC 10269 authorizes the NWTRB to receive appropriations derived from the Nuclear Waste Fund. As an independent board, the NWTRB submits a separate budget justification to Congress. Appropriations are made in the independent agencies section of the annual Energy and Water Development Appropriations Act.

Amounts appropriated to the NWTRB are provided through an appropriations transfer from the Nuclear Waste Fund. CF-10 requests a non-expenditure transfer in the Department of the Treasury's Central Accounting Reporting System (CARS). Once Treasury approves the transfer, DOE records the transaction in the Federal Financials (FV) module in STARS, General Ledger (GL) module in STARS, and in the Consolidated Accounting and Investment System (CAIS). Once recording is completed, DOE notifies the NWTRB of the transfer.

Further information on accounting for Non-Expenditure Transfers or Non-Expenditure Transactions can be found in Chapter 3.1 of the Financial Management Handbook, and I TFM, Part 2, Chapter 2000, *Warrant and Non-Expenditure Transfer (NET) Transactions.*

IV. Fund-specific Accounting Practices

IV.A. FASAB

The Nuclear Waste Fund follows SFFAS 43, *Funds from Dedicated Collections*, which requires separate identification of funds from dedicated collections on the Department's financial statement. Thus, Departmental Elements and M&O contractors must separately account for funding derived from the Nuclear Waste Fund, including the tracking of collections; revenue recognition; and property, plant, and equipment. Further information on accounting for property, plant, and equipment can be found in Chapter 10.1 of the Financial Management Handbook.

Additional standards applicable to fund accounting include SFFAS 5, *Accounting for Liabilities of the Federal Government*, SFFAS 12, *Criteria for Recognition of a Contingent Liability*, and to account for investments SFFAS 1, *Accounting for Selected Assets and Liabilities.*

IV.B. Fund Balances

DOE records a deferred revenue liability for all fund balances, including investment gains. Revenues are recognized as a financing source as costs are incurred for NWF activities.

IV.C. Accounting for Receivables

Currently, the Nuclear Waste Fund holds a receivable account for 11 contracts with utility companies to account for payments due under the Standard Contract for UNF discharged prior to April 7, 1983. UNF discharged prior to April 7, 1983, was subject to a one-time fee under the Standard Contract.

Interest on amounts due accrues each month using the 13-week Treasury bill rate, with interest compounded quarterly. DOE informs the utility companies about the specific interest rate used for accrual and provides a Quarterly Statement of Payment report which details the UNF receivable balance, including both principal and accrued interest.

The Standard Contract sets three payment options for UNF discharged prior to April 7, 1983:

IV.C.1. In Option 1, the utility companies are required to make quarterly payments from the date of first delivery of UNF and not to exceed 40 quarters. The utility companies' financial dues are prorated evenly over 40 quarters and consist of fees plus interest on the outstanding fee balance. The interest from April 7, 1983, to date of the first payment is calculated based upon the 13-week Treasury bill rate and is compounded quarterly. When the 40 quarterly

payments begin, the interest is to be calculated at the ten-year Treasury note rate.

IV.C.2. In Option 2, the utility companies have the option of making a single payment anytime prior to first date of delivery of UNF. The utility companies' financial dues consist of fees plus interest on the outstanding fee balance. The interest from April 7, 1983, to date of the payment is calculated based upon the 13-week Treasury bill rate and is compounded quarterly.

IV.C.3. In Option 3, utility companies had the option to make a single full payment prior to June 30, 1985, or prior to two years of contract execution. The financial dues consisted of all outstanding fees with no interest. Option 3 is currently not in use.

V. Reporting and Oversight

V.A. Monitoring and Reporting on Fund Balances

The Nuclear Waste Fund's balances are included in the DOE Agency Financial Report.

Also, the Secretary of the Treasury, after consultation with the Secretary of Energy, provides a report to Congress presenting the financial condition and the results of operations of the Nuclear Waste Fund during the preceding year. The Treasury Bulletin's March issue features the annual report from Treasury, covering the Nuclear Waste Fund along with other special funds.

V.B. Specific Reporting Requirements

V.B.1. Budgetary Reporting. 42 USC 10222(e)(2) requires the Secretary to submit the budget of the Nuclear Waste Fund to the Office of Management and Budget at least triennially. The 42 USC 10222(e)(2) reporting requirement is met through the annual submission of the President's budget request and the accompanying Congressional Budget Justification.

V.B.2. Special Fund Reporting. CF-10 leads DOE coordination for the reporting of information for Treasury's annual report on the financial operations of the US Government, and specific annual report to Congress on Government Investment Accounts, including the Nuclear Waste Fund and other special funds. Requirements for Treasury reporting on Government Investment Accounts can be found in I TFM Part 2, Chapter 4300.

V.C. Audits

The Nuclear Waste Fund is part of the Department's Agency Financial Report, and is subject to audit as part of the Department's annual financial statement audit. There is no requirement for a separate audit of the Nuclear Waste Fund.

42 USC 10224(d) specifically permits the Government Accountability Office to audit the Nuclear Waste Fund, as necessary. Also, the Government

Accountability Office and DOE's Office of the Inspector General maintain authority to audit the fund's financial and business operations under their normal authorities.

VI. Acronyms

CAIS	Consolidated Accounting and Investment System
CARS	Central Accounting Reporting System
CF-10	CFO Office of Finance and Accounting
CF-30	CFO Office of Budget
CFO	Chief Financial Officer
FV	Oracle U.S. Federal Financials
GL	General Ledger
HLW	High Level Waste
kWh	Kilowatt-Hour
M&O	Management and Operating
NET	Non-Expenditure Transfer
NNSA	National Nuclear Security Administration
NWPA	Nuclear Waste Policy Act of 1982, as amended
NWTRB	Nuclear Waste Technical Review Board
OCRWM	Office of Civilian Radioactive Waste Management
STARS	Standard Accounting and Reporting System
UNF	Used Nuclear Fuel (Spent Nuclear Fuel)
USC	United States Code

VII. References

VII.A. P.L. 97-425, *Nuclear Waste Policy Act of 1982*, as amended, which authorized the Nuclear Waste Fund.

VII.B. 42 USC 10222, *Nuclear Waste Fund*, codifies section 302 of the Nuclear Waste Policy Act that sets out the requirements for administering the Fund.

VII.C. 10 CFR Part 961, *Standard Contract for Disposal of Spent Nuclear Fuel and/or High Level Radioactive Waste*, which sets the contract terms for DOE's civilian nuclear waste activities, including receipts and revenues deposited in the Nuclear Waste Fund.

VII.D. I TFM, Part 2, Chapter 2000, *Warrant and Non-Expenditure Transfer (NET) Transactions*, which sets Treasury requirements for Non-Expenditure Transfers.

VII.E. I TFM Part 2, Chapter 4300, *Responsibilities Relating to Government Investment Accounts and Investment in Government Account Series Securities,* sets requirements for government accounts on the books of the Treasury for which the Secretary of the Treasury has been authorized to invest.

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[1] The term “used nuclear fuel” is intended to be synonymous with the term “spent nuclear fuel” as used and defined in the Nuclear Waste Policy Act of 1982, as amended, and the *Standard Contract for the Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste* (10 CFR Part 961).

[2] More detailed requirements on work authorizations can be found in DOE Order 412.1A, *Work Authorization System.*

SUBJECT: OCTOBER 2026 UPDATE TO CHAPTER 19.1, NUCLEAR WASTE FUND

1. EXPLANATION OF CHANGES:

   The update to Chapter 19.1, Nuclear Waste Fund, contains significant changes to the previous chapter dated March 5, 2007 (formerly Chapter 19, Nuclear Waste Fund). The update to the chapter includes:

   - A significant reorganization of the chapter to streamline content.
   - Current roles and responsibilities under the current legal arrangements.
   - Current operational requirements for the financial management of the Nuclear Waste Fund; and,
   - Elimination of the requirement for a separate audit for the Nuclear Waste Fund since the fund activities are already audited as part of the Department's annual financial statement audit.

2. LOCATION OF CHANGES:

   Due to the significant restructuring and updating of the chapter, a listing of individual changes throughout the document is not provided.

CHAPTER 19.2

URANIUM ENRICHMENT DECONTAMINATION AND DECOMMISSIONING FUND

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SUBJECT: SUMMARY - OCTOBER 2026 UPDATE TO CHAPTER 19.2 9

I. Introduction

I.A. Purpose

To establish policies for financial management of the Uranium Enrichment Decontamination and Decommissioning Fund, referred to hereafter as the D&D Fund.

I.B. Applicability

This chapter applies to all Departmental elements, including the National Nuclear Security Administration, conducting activities that are directly or indirectly involved with the D&D Fund.

II. Background of the D&D Fund

The Energy Policy Act of 1992 (EPACT), (10 CFR 766), required the Department of Energy (DOE or Department) to establish and administer the D&D Fund to pay for the environmental cleanup activities discussed below.

II.A. Decontamination and Decommissioning of Facilities

The primary purpose of the D&D Fund is decontamination and decommissioning (D&D) of DOE's three gaseous diffusion plants (GDP) that enriched uranium. The three plants were located in Oak Ridge, Tennessee; Portsmouth, Ohio; and Paducah, Kentucky.

II.B. Remedial Action

The D&D Fund also pays for the annual costs of remedial action (RA) at the GDP sites to the extent the balance in the D&D Fund is sufficient. RA involves cleanup and treatment of environmental hazards found separate from the GDP facilities, such as soil and groundwater remediation. To the extent the D&D Fund is insufficient, the Department shall be responsible for the cost of RA.

II.C. Reimbursing Uranium and Thorium Licensees

Title X of the EPACT, (10 CFR 765), also provides authorization to reimburse uranium and thorium licensees for the portion of environmental cleanup costs at their sites that are attributable to nuclear materials sold to the U.S. Government during the Cold War Era. DOE's Office of Environmental Management (EM) administers these reimbursements and issues an annual status report[1] on the reimbursements.

II.D. Excluded Activities

The D&D Fund is not available to pay for D&D of centrifuge uranium enrichment facilities at the GDP sites. The centrifuge facilities are not part of the original GDPs as they were built decades later in support of DOE's exploration of centrifuge uranium enrichment technology.

Also, Congress provided a separate appropriation for conversion of Depleted Uranium Hexafluoride (DUF6) cylinders stored at the GDPs.

DUF6 (i.e. uranium tails) is a waste byproduct of the gaseous diffusion enrichment process.

Activities performed must be consistent with the applicable appropriations authorizing use of the D&D Fund.

III. Accumulating D&D Fund Resources

Originally, the EPACT authorized annual deposits of $480M to the D&D Fund consisting of $330M from the U.S. Government and $150M from domestic nuclear utility assessments. The ratio of Government contributions to utility contributions was based on purchase/consumption of uranium enrichment services (measured in separative work units or SWU) provided by the GDPs from their inception through the October 1992 passage of the EPACT. These contributions were to be made for 15 years (fiscal years (FY) 1993 through FY 2007) and be adjusted annually for inflation.

The authority to collect funding from utilities expired in 2007. Any further utility contributions to the D&D Fund would require statutory reauthorization.

All utility contributions to the D&D Fund have been fully utilized. Current D&D Fund balances derive from annual appropriations that are deposited into the D&D Fund, but then concurrently made available for expenditure.

IV. Managing D&D Fund Balances

IV.A. Authorization

EPACT authorizes the Secretary to invest the D&D Fund's resources in U.S. Treasury securities. These securities 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 D&D Fund. Although EPACT provides that the Secretary of the Treasury will select investments, Treasury relies on DOE to make investment decisions

IV.B. Types of Securities

The D&D Fund can be invested in four types of U.S. Treasury securities: bonds, notes, bills, and one-day certificates. Interest earnings from these securities may also be used for the D&D Fund's intended purposes.

IV.C. Investment Policy

The investment policy of the D&D Fund is to provide cash when required to meet program expenditures while maximizing investment earnings.

To meet the objectives of the investment policy, 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 Treasury bills, notes, or 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.

IV.D. Periodic Investment Strategy

EM is responsible for program management of the D&D Fund's activities. EM's Consolidated Business Center (EMCBC) has the lead for developing the periodic investment strategies for the D&D Fund. The investment strategy is a plan showing the Treasury securities that need to be purchased or redeemed for the given period.

EMCBC uses cash disbursement forecasts from the EM offices that carry out the D&D Fund's activities, as well as, the investment portfolio reports discussed in the next paragraph to develop the investment strategy. EMCBC provides the investment strategy to DOE's Office of Finance and Accounting (OFA or CF-10) within the Office of the Chief Financial Officer.

Using the FedInvest website, OFA purchases and redeems securities as requested in the investment strategy, and collects interest from the investment portfolio. OFA uses DOE's Consolidated Accounting and Investment System (CAIS) to record and track the D&D Fund's investment activities and provides monthly CAIS reports to EMCBC to help with investment strategy development. OFA also enters the investment activity into the Standard Accounting and Reporting System (STARS) each month.

V. Budget Execution

Use of the D&D Fund is subject to appropriations and subsequent apportionment by the Office of Management and Budget (OMB).

Normal DOE administrative control of funds requirements apply to the D&D Fund. Funding is allotted and distributed per the requirements of Chapter 2.2, "Administrative Control of Funds" of the *Financial Management Handbook* and OMB Circular A-11, "Preparation, Submission, and Execution of the Budget."

VI. Accounting

The CFO Office of Finance and Accounting (CF-10) performs accounting and reporting functions relating to the D&D Fund.

The D&D Fund's activities are tracked in the STARS accounting system via unique fund type codes in the 03000 series. This helps maintain visibility of the D&D Fund's activities and amounts as they are consolidated with other activities and amounts for purposes such as the annual consolidated financial statements.

The D&D Fund's activities follow established cash management practices and are part of routine cash reporting and reconciliations submitted to Treasury.

VII. Reporting

VII.A. Financial Reporting

Financial reporting for the D&D 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 Treasury's annual report to Congress on the status of the D&D Fund. The report shall show receipts, outlays, and equity of the D&D Fund.

VII.B. Program Reporting

EM is responsible for preparing the following report for Congress per EPACT:

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.

This report is referred to as the "Triennial Report to Congress." The report covers cleanup work that has been completed and work that remains. It also includes a financial section that discusses cumulative collections, cumulative spending, projected costs to finish the cleanup work, and an analysis of the Fund's sufficiency to complete the work.

VIII. Responsibilities

VIII.A. Assistant Secretary for Environmental Management (EM)

VIII.A.1. Direct and monitor the financial activity of the D&D Fund in coordination with the CFO;

VIII.A.2. Direct, prepare, defend, and consolidate Headquarters, Oak Ridge EM, and Portsmouth Paducah Project Office formulated budgets for the Fund and submit them to the CFO;

VIII.A.3. Develop investment strategies and an appropriate cash flow analysis in coordination with the CFO (Function delegated to EMCBC);

VIII.A.4. Prepare and issue regulations governing reimbursement of individual uranium and thorium processing site licensees; and process all requests for reimbursement in coordination with the CFO;

VIII.A.5. Per the EPACT, coordinate development of the Secretary's Triennial Report to Congress on the status of the D&D Fund's activities and the projected adequacy of the D&D Fund for completing those activities;

VIII.A.6. If Congress were to authorize additional contributions from domestic utilities – establish/reestablish the regulations,

policies, and processes for collecting these contributions, in coordination with the CFO.

VIII.B. The Office of Chief Financial Officer

VIII.B.1. Develop and maintain financial policy for D&D Fund activities in coordination with EM;

VIII.B.2. Perform all accounting and related D&D Fund activities and process appropriate transactions in DOE CAIS and STARS;

VIII.B.3. Provide input to Treasury for the annual report to Congress regarding the financial condition and operations of the D&D Fund during the previous fiscal year;

VIII.B.4. Review regulations prepared by EM governing reimbursement of individual uranium and thorium processing site licensees;

VIII.B.5. Review periodic investment strategies from EMCBC for compliance with DOE policy and Treasury regulations, initiate investment transactions with Treasury, and maintain appropriate documentation of the investment transactions;

VIII.B.6. Monitor and incorporate disbursement notifications from EMCBC into the daily investment activities; and check STARS for actual disbursements to determine recommended investment in overnight account;

VIII.B.7. At the direction of EM, make disbursements to uranium/thorium licensees;

VIII.B.8. Serve as a focal point for all official accounting operational matters regarding D&D Fund activities, maintain official accounting records, and maintain liaison with Treasury and the Government Accountability Office, in coordination with EM, regarding operational accounting matters.

VIII.C. EM Consolidated Business Center

VIII.C.1. Monitor the financial activity of the D&D Fund in coordination with EM;

VIII.C.2. Provide projected outlays for the D&D Fund to the Office of Finance and Accounting (OFA), along with investment strategies for any funds in excess of current outlay projections;

VIII.D.3. Support financial reporting for the D&D Fund such as recording environmental liability estimates in STARS**;**

VIII.C.4. Develop financial input to the Secretary’s Triennial Report to Congress, in accordance with EPACT, and transmit the input to EM Headquarters. This includes helping analyze the adequacy of the D&D Fund to meet cleanup requirements.

VIII.D. Oak Ridge EM Office & Portsmouth Paducah Project Office

VIII.D.1. Prepare and submit field project budgets to EM;

VIII.D.2. Develop outlay estimates for cleanup work for EMCBC to use in developing the investment strategy;

VIII.D.3. Support financial reporting for the D&D Fund such as providing environmental liability estimates;

VIII.D.4. Develop required programmatic input to the Secretary's Triennial Report to Congress, in accordance with EPACT, and transmit the input to EM Headquarters.

VIII.E. Office of Inspector General

Coordinate with EM and the CFO on auditing the D&D Fund's activities.

IX. Definitions

IX.A. Decontamination and Decommissioning (D&D)

Activities, other than response actions or corrective actions, undertaken to D&D the Department's inactive Gaseous Diffusion Plants (GDP). These facilities have residual radioactive or mixed radioactive and hazardous chemical contamination. Note, centrifuge enrichment facilities constructed on the GDP sites are not part of the original GDPs and are not covered by the D&D Fund.

IX.B. Domestic Utility

Any utility in the United States that purchased uranium enrichment services (i.e. separative work units) from DOE for purposes of commercial electricity generation, during the period beginning in 1945 through October 23, 1992.

IX.C. Remedial Action

Environmental remediation of contamination found in areas separate from the inactive GDP facilities, such as soil and groundwater remediation.

IX.D. Separative Work Unit (SWU)

For this chapter, SWU is the effort required in the uranium enrichment process to separate uranium-235 and uranium-238 to increase the proportion of uranium-235 in a sample. SWU is not a unit of energy but rather expresses the magnitude of the enrichment services provided.

IX.E. 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. For this chapter, it is the separation of uranium-235 from uranium-238 to create a higher percentage of the more fissile uranium-235.

X. Acronyms and Abbreviations

CAIS	Consolidated Accounting and Investment System
CFO	Chief Financial Officer
D&D	Decontamination and Decommissioning
DOE	Department of Energy
DUF_6	Depleted Uranium Hexafluoride
EM	DOE Office of Environmental Management
EMCBC	Environmental Management Consolidated Business Center
EPACT	Energy Policy Act of 1992
GDP	Gaseous Diffusion Plant
OFA	Office of Finance and Accounting (CF-10 in DOE's CFO office)
OMB	Office of Management and Budget
RA	Remedial Action
STARS	Standard Accounting and Reporting System
SWU	Separative Work Units

SUBJECT: SUMMARY - OCTOBER 2026 UPDATE TO CHAPTER 19.2 URANIUM ENRICHMENT DECONTAMINATION AND DECOMMISSIONING FUND

1. EXPLANATION OF CHANGES:

   These changes:
   - Update the chapter to reflect current organizational structure and responsibilities. This update does not change any requirements for the D&D Fund or introduce new requirements;
   - Reorganize the chapter to streamline less relevant historical content and focus more on current processes.

2. LOCATION OF CHANGES:
   Due to the significant restructuring and updating of the chapter, a listing of individual changes throughout the document is not provided.

[1] As of October 2026, the most recent report from EM is titled, “Fiscal Year 2025 Status Report – Reimbursements to Licensees of Active Uranium Processing Sites” (Title X of the Energy Policy Act of 1992, Fall 2025)

Chapter 20 - Reserved

CHAPTER 21
FINANCIAL CLOSEOUT (CANCELLED)

For contracts:

- **FAR 4.804-5** https://www.ecfr.gov/current/title-48/section-4.804-5
- **Chapter 4.804 of the DOE Acquisition Guide** DOE Acquisition Guide FY 2025 Version 3

For Financial Assistance:

- **2 CFR 200.344 Closeout** eCFR :: 2 CFR Part 200 Subpart D - Closeout
- **Chapter 7 of the DOE Guide to Financial Assistance** DEPARTMENT OF ENERGY GUIDE TO FINANCIAL ASSISTANCE October 2021
- **Section IV of Chapter 14 of the DOE Financial Management Handbook** Microsoft Word - CHAPTER 14 FINAL ISSUE 3-9-07--revised 03 18 09.doc

CHAPTER 22

DIRECT LOANS AND LOAN GUARANTEES

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I. PURPOSE

This chapter establishes the Department of Energy (DOE) accounting policy and procedures for direct loans and loan guarantees for non-Federal borrowers.

II. APPLICABILITY

II.A. Departmental Applicability

The applicability of this chapter is specified in DOE Financial Management Handbook (FMH) Chapter 1, *Financial Management Handbook Overview*.

II.B. DOE Contractors

This chapter does not apply to contractors.

III. REQUIREMENTS

III.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. 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:

- Measure more accurately the costs of credit programs.
- Place the cost of credit programs on a budgetary basis equivalent to other federal spending.
- Encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and
- Improve the allocation of resources among credit programs and between credit and other spending programs.

III.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 Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standard (SFFAS) 2, *Accounting for Direct Loans and Loan Guarantees*.

III.B.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.

III.B.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.

III.B.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.

III.B.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.

III.B.4.i. 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.

III.B.4.ii. 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.

III.B.4.iii. 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.

III.B.4.iv. 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.

III.B.4.v. The present value of fees and other collections is recognized as a deduction from subsidy costs.

III.B.4.vi. 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.

III.B.5. Subsidy Amortization and Reestimation

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 reestimate. 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.

III.B.5.i. 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 reestimate. The accrued interest is recognized as interest expense.

III.B.5.ii. Credit programs should reestimate the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees as required in SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*.

There are two kinds of reestimates: interest rate reestimates, and technical/default reestimates. Entities should measure and disclose each program's reestimates in these two components separately. An increase or decrease in the subsidy cost allowance or loan guarantee liability resulting from the reestimates is recognized as an increase or decrease in subsidy expense for the current reporting period.

- An interest rate reestimate is a reestimate due to a change in interest rates from the rates assumed in budget preparation and used in calculating the subsidy expense to the prevailing rates during the time periods in which the direct or guaranteed loans are disbursed. Credit programs may need to make an interest rate reestimate 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 reestimate for those cohorts should be made as of the date of the financial statements.

- A technical/default reestimate is a reestimate 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 reestimates explained above.

  In making technical/default reestimates, 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 reestimate should be made each year as of the date of the financial statements.

III.B.6. Criteria for Default Cost Estimates

The criteria for default cost estimates apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. The reestimates 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.

III.B.6.i. In estimating default costs, the following risk factors are considered:

- Loan performance experience.
- Current and forecasted international, national, or regional economic conditions that may affect the performance of the loans.
- Financial and other relevant characteristics of borrowers.
- The value of collateral to loan balance.
- Changes in recoverable value of collateral; and
- Newly developed events that would affect the performance of the loan.

Improvements in methods to reestimate defaults also are considered.

III.B.6.ii. 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.

III.B.6.iii. 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.

III.B.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,

and maintaining accounting and computer systems; and other credit administrative purposes are recognized as administrative expenses. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

Costs should be recognized as directed in SFFAS 4, *Managerial Cost Accounting Standards and Concepts*. Fees should be assessed as directed in OMB Circular A-25, *Fees Assessed for Government Services*, revised.

III.B.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.

II.B.8.i. 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 reestimates, workouts as defined below, or are permitted under the terms of existing contracts.

III.B.8.ii. 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.

III.B.8.iii. The term “modification” does not include subsidy cost reestimates, 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 reestimates.

III.B.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.

III.B.9.i. 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).

III.B.9.ii. 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).

III.B.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.

III.B.10.1. 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).

III.B.10.2. 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).

III.B.10.3. 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.

III.B.10.4. 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 reestimate shall be paid utilizing funds from Treasury under the permanent and indefinite authority of the restructuring agency.

III.B.11. Sale of Loans

The sale of post-1991 direct loans is a direct modification.

III.B.11.1. 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.

III.B.11.2. 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.

III.B.11.3. 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).

III.B.12. Reconciliation and Disclosure

SFFAS 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:

III.B.12.1. 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 reestimates by components for those years.

III.B.12.2. 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.

III.B.12.3. 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

III.B.12.4. 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.

III.B.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.

III.B.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.

III.B.14.1. Credit Reform Fund Controls

For credit programs, systems for administrative control of funds are required to include the following features:

- Restrict both obligations and expenditures from each program account, financing account, and liquidating account to the lesser of:
  - The amounts available for administrative expenses, direct loan subsidies, direct loan levels, guaranteed loan levels, and any limitations specified in law; or
  - The amounts apportioned for the amounts specified above.
- Enable the fixing of responsibility for an obligation or expenditure exceeding the categories specified above.
- 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.

III.C. Recording Obligations, Disbursing Loans, and Re-estimating Subsidies

Obligation of a 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*.

For the Title XVII loan guarantee program and the Advance Technology Vehicles Manufacturing (ATVM) loan program, the conditional commitment typically represents a binding contract for DOE.[1]

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 the 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 FCRA Section 504(F). If the subsidy amount decreases, a payment shall be made to a receipt account.

III.D. Borrowing from Treasury

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.

III.E. Computation of Interest Expense and Interest Income

[1] See section V.Q. of Chapter 5 of the Financial Management Handbook.

III.E.1. Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs

III.E.1.i. 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.

III.E.1.ii. 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.

III.E.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 are currently 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.

III.E.3. Weighted Average Interest Rate

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.

III.E.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.

III.F. Reporting

DOE must produce external reports required by OMB and Treasury, including those associated with 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.

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.

III.G. U.S. Government Standard General Ledger Accounts

The U.S. Government Standard General Ledger (USSGL) accounts and definitions established to account for direct and guaranteed loans are listed in TFM, Supplement No. S2, USSGL.

IV. RESPONSIBILITIES

IV.A. Chief Financial Officer

Oversees all financial management activities related to the Loan Programs as directed by DOE Order 520.1B, *Financial Management and Chief Financial Officer Responsibilities*.

IV.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.

V. REFERENCES

1. Debt Collection Improvement Act of 1996 (Public Law 104-134, chapter 10, section 31001) (DCIA).
2. Title XVII of the Energy Policy Act of 2005 (Public Law 109-58), as amended, and codified at 42 USC 16511-16516.
3. DOE's overall loan guarantee program regulations (10 CFR 609).
4. Relevant provisions contained in the Government Accountability Office (GAO) Accounting Principles, Standards, and Requirements.
5. OMB Circular A-11, *Preparation and Submission of Budget Estimates*, section 185, *Federal Credit.*
6. OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivable.*
7. FASAB SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*; SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*; and SFFAS 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2.*
8. Treasury Financial Manual (TFM), Chapter 4600, *Treasury Reporting Instructions for Credit Reform Legislation* (I TFM 2-4600).
9. Supplemental guidance set forth in the Treasury/Financial Management Service (FMS), *Managing Federal Receivables.*

VI. DEFINITIONS

VI.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.

VI.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.

SUBJECT: **LIMITED CHANGE TO CHAPTER 22, *DIRECT LOANS AND LOAN GUARANTEES***

1. EXPLANATION OF CHANGES. Changes to Chapter 22 conform with requirements in Chapter 5. The chapter also adopts the current Financial Management Handbook template.

2. LOCATIONS OF CHANGES: Substantive limited changes made throughout the document are summarized at the beginning of the chart.

Page	Section	Section Title	Summary
22-13	III.C.	Recording Obligations, Disbursing Loans, and Re-estimating Subsidies	Limited change to the discussion on recording obligations to reference and conform with the edits to Chapter 5.