CHAPTER 1

ACCOUNTING OVERVIEW

1. PURPOSE.

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

2. APPLICABILITY.

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

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

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

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

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

3. REQUIREMENTS.

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

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

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

4. RESPONSIBILITIES.

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

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

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

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

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

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

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

5. REFERENCES.

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

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

Attachment 1
Process for Revisions to the DOE Financial Management Handbook

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

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

AUTHORITIES:

DOE Order 251.1 Departmental Directives Program

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

DOE Order 534.1B, Accounting

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

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

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

Attachment 1. Contractor Requirements Document

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

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

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

UPDATE PROCESS: MAJOR REVISION

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

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

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

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

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

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

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

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

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

UPDATE PROCESS: TECHNICAL REVISION

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

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

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

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

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

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

CHAPTER 2

ADMINISTRATIVE CONTROL OF FUNDS

1. INTRODUCTION.

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

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

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

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

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

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

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

(5) Outstanding obligations are validated annually.

2. BUDGETARY RESOURCES AND DISTRIBUTION.

a. Management of Budgetary Resources.

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

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

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

(3) Allotments.

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

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

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

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

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

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

(a) New Budgetary Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. Authorizations.

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

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

b. Certification of Funds Availability.

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

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

c. Documents and Procedures.

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

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

d. Reconciliations and Verifications.

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

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

6. FUNDS CONTROLS FOR EXPIRED AND CLOSED TIME LIMITED APPROPRIATIONS

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

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

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

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

a. Prohibited Actions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The program manager;

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

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

(e) The allotee.

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

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

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

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

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

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

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

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

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

c. Penalties.

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

(a) Anti-Deficiency Act Violations.

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

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

a. Counseling the violator.

b. Requiring additional training for the violator.

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

d. Preparing an unsatisfactory performance appraisal.

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

f. Reassigning or terminating the violator.

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

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

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

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

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

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

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

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

1. The seriousness of the violation;

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

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

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

5. Past disciplinary actions that have proved ineffective.

8. REPORTING OF VIOLATIONS WITHIN THE DEPARTMENT

a. Reporting Requirements.

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

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

(a) CFO (original);

(b) Allottee (one copy);

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

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

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

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

b. Information to Be Reported.

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

(a) Date of the alleged violation;

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

(c) Name and title of the allotment holder;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c. Actions Required After Violations Are Reported.

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

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

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

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

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

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

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

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

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

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

9. REPORTING OF VIOLATIONS TO THE PRESIDENT AND CONGRESS

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

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

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

d. Additional Reporting Requirements.

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

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

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

CHAPTER 2.3
MINOR CONSTRUCTION

Table of Contents

I. INTRODUCTION 2

I.A. PURPOSE 2

I.B. APPLICABILITY 2

I.C. DEFINITIONS 2

II. POLICY AND REQUIREMENTS 3

II.A. COST LIMITATIONS 3

II.B. NOTIFICATION OF MINOR CONSTRUCTION PROJECTS 3

II.C. MINOR CONSTRUCTION PROJECT FUNDING 5

II.D. COST ACCOUNTING REQUIREMENTS FOR MINOR CONSTRUCTION PROJECTS 5

II.E. OTHER REQUIREMENTS APPLICABLE TO MINOR CONSTRUCTION PROJECTS 6

III. NONCOMPLIANCE WITH THIS POLICY 7

IV. REFERENCES 7

I. INTRODUCTION

I.A. PURPOSE

This chapter provides the Department's policy on cost limitations, budgetary notifications, funding, cost allocation, and accounting for minor construction projects.

I.B. APPLICABILITY

This policy applies to all Departmental elements and contractors, including the National Nuclear Security Administration (NNSA)[1]. This policy applies to all DOE minor construction projects, including those funded by both Defense and non-Defense authorized funds. 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)[2].

I.C. DEFINITIONS

I.C.1. Minor Construction Project

As defined in 50 U.S.C. 2743, a minor construction project means any plant project not specifically authorized by law for which the total estimated cost (TEC) does not exceed the minor construction threshold. This policy adopts the definition contained in 50 U.S.C. 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.

I.C.2. Minor Construction Threshold

The minor construction threshold is defined in statute at 50 U.S.C. 2741. The statutory minor construction threshold was set at $25 million on 12/27/21 by P.L. 117-81, the National Defense Authorization Act for Fiscal Year 2022.

This policy adopts the statutory threshold for all Departmental elements.

I.C.3. 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* (current version).

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 Cost Accounting Standards as described in Section II.D.2. of this handbook chapter.

II. POLICY AND REQUIREMENTS

II.A. COST LIMITATIONS

II.A.1. A minor construction project's TEC must not exceed the minor construction threshold.

II.A.2. 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[3].

II.A.3. 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.4. If anticipated cost increases will cause the TEC of an approved minor construction project to exceed the minor construction threshold:

II.A.4.i. Contractors must immediately notify the Contracting Officer and the responsible Federal Program Official(s) of the anticipated cost increase, and

II.A.4.ii. Additional work that would exceed the minor construction threshold must be deferred until additional funding is obtained. The cognizant program office will coordinate required notifications[4] and any necessary requests for additional funding with OCFO Budget.

II.B. NOTIFICATION OF MINOR CONSTRUCTION PROJECTS

II.B.1. General Notification Requirements

DOE must notify Congress of a minor construction project with a TEC greater than $5 million and wait 15 days (30 days for a project constructed at a non-DOE installation[5]) before approval to start construction[6] (equivalent to Critical Decision Point 1, or CD-1).[7]

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

DOE provides in-cycle notifications of minor construction projects to Congress via the annual budget request process. This process

satisfies statutory notification requirements of 50 U.S.C. 2743(d) and the separate requirement for an annual report required by 50 U.S.C. 2743(b). Projects exceeding the $5M TEC threshold that are not contained in the in-cycle notice through the annual budget request require out-of-cycle notification before the project is started.

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

All Out-of-Cycle notices must be provided to the OCFO Office of Budget.

OCFO Budget will review the minor construction project out-of-cycle notification and provide applicable follow-up questions within five (5) business days of receipt. OCFO Budget will notify Congress and OMB as appropriate[8].

II.B.4. Cost Growth Notification

To maintain flexibilities Congress has granted; avoid OMB restrictions on apportionments and/or the budget process; and provide OCFO information to support Departmental financial management, the cognizant program office will:

II.B.4.i. For minor construction projects with an original TEC below $5 million but with a revised TEC in excess of $5 million that were not previously identified in the Department's annual budget request, the cognizant program office must notify OCFO Budget. OCFO Budget will provide any required reporting[9] to Congress and the Office of Management and Budget (OMB). NNSA will report cost growth through their regular semiannual reporting cycle, with copy to CFO Budget.

II.B.4.ii. For minor construction projects with an original TEC below $10 million, provide a quarterly report to OCFO Budget of those minor construction projects of which the TEC subsequently exceeded $10 million during the quarter. NNSA will report cost growth through their regular semiannual reporting cycle, with copy to CFO Budget.

II.B.4.iii. For each minor construction project with a revised TEC that exceeds the minor construction threshold, provide to OCFO Budget a report explaining the reasons for the cost variation. Notification to OCFO Budget must be provided within 10 business days of developing the revised TEC, in order to meet the requirements for immediate notification contained in 50 U.S.C. 2743. OCFO Budget will then coordinate to provide the required cost variation reporting to Congressional committees. [10]

II.B.5. Implementing Increases to the Minor Construction Threshold

The statutory minor construction threshold was increased from $20

million to $25 million on 12/27/21 by P.L. 117-81, the National Defense Authorization Act for Fiscal Year 2022. The increased statutory threshold may be applied to projects only with appropriate Congressional and OMB notification. Departmental Elements must coordinate with OCFO Budget to provide an out-of-cycle notification for projects with TEC exceeding $20 million, but less than $25 million, for which in-cycle or out-of-cycle notification was provided prior to 12/27/21, including through the FY 2022 Congressional Budget Request. There is no requirement to stop work pending issuance of the out-of-cycle notice.

II.C. MINOR CONSTRUCTION PROJECT FUNDING

Consistent with the Full Funding principle of budgeting for capital asset acquisitions contained in the Capital Programming Guide (OMB Circular A-11 Supplement) and Section 31.4 of OMB Circular A-11, DOE should specify budget authority sufficient to complete a useful segment of a project (or the entire project, if it is not divisible into useful segments).[11] Planning segments should be financed separately from the procurement of a useful asset.[12] Exceptions to the budgeting requirements in the Capital Programming Guide and A-11 must be approved by OMB on a project-specific basis; requests for OMB approval of multi-year funding will be transmitted through OCFO.

Projects should comply with both the requirements of the Capital Programming Guide and Cost Accounting Standards. If the project will not be funded by one DOE appropriation but will be allocated to multiple funding sources in a manner compliant with Cost Accounting Standards, the project notification (either the budget request or the out of cycle notification) should clearly indicate that the project is institutional (and thus project costs are allocated indirectly).

II.D. COST ACCOUNTING REQUIREMENTS FOR MINOR CONSTRUCTION PROJECTS

II.D.1. Direct Funded Minor Construction Projects

Assign the cost of minor construction projects to the applicable final cost objective.

II.D.2. Indirect Minor Construction Projects

II.D.2.i. Use applicable Cost Accounting Standards (CAS) for minor construction projects that are allocated through indirect rates.

Applicable 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.D.2.ii. 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.D.2.iii. 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.D.2.iv. 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.

II.E. OTHER REQUIREMENTS APPLICABLE TO MINOR CONSTRUCTION PROJECTS

II.E.1. Accounting Requirements

The *DOE Financial Management Handbook* (FMH) Chapter 10, "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.2. Property Accountability Requirements

Real Property Management are in DOE O 430.1C, "Real Property Asset Management." DOE O 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.3. Project Management Requirements

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

construction projects.

III. NONCOMPLIANCE WITH THIS POLICY

Noncompliance with this chapter could result in increased control by OMB and/or Congress on the authorities to carry out minor construction projects. Noncompliance with legal requirements referenced in this policy could result in violations of the Anti-Deficiency Act (31 U.S.C. §§ 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"; 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."

IV. REFERENCES

IV.A. Sections 642 and 647 of the DOE Organization Act (42 U.S.C. §§ 7252, 7257), which authorizes the Secretary to delegate authorities to others and authorizes the Secretary to acquire facilities and personal property.

IV.B. 50 U.S.C. 2741, which defines the current statutory minor construction threshold applicable to funds authorized by a DOE national security authorization.

IV.C. Section 3115 of the of the FY 2022 National Defense Authorization Act (P.L. 117-81), which increased the minor construction threshold to $25 million and introduced a new statutory notification requirement.

IV.D. 42 U.S.C. 5821(b)(2), which 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. Additional references are cited in this chapter as appropriate.

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[1] DOE O 520.1B, *Financial Management and Chief Financial Officer Responsibilities*
[2] DOE O 481.1E, *Strategic Partnership Projects*, Section 4.g.(3).
[3] 50 U.S.C. 2746(b)
[4] 50 U.S.C 2743
[5] 42 U.S.C. 5821
[6] The content of the notification shall satisfy the statutory notification requirements contained in 50 U.S.C. 2743(d) (which applies to Defense facilities), and 42 U.S.C. 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, the OCFO applies the $5 million threshold for all minor construction projects.

[7] Applicable definitions of project management critical decision points contained in DOE Order 413.3B.
[8] P.L. 111-84, div. C, Section 3118(c) and 42 U.S.C. 5821
[9] 50 U.S.C. 2743 and 42 U.S.C. 5821
[10] 50 U.S.C. 2743 requires cost variation reporting to Congressional committees.
[11] 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.
[12] See Principle 3 under the Principles of Financing, Section I.7.2.2 of the Capital Programming Guide.

CHAPTER 3

ACCOUNTING FOR APPROPRIATIONS AND OTHER FUNDS

1. INTRODUCTION.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. TYPES OF DOE ACCOUNTS.

a. General Fund Accounts.

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

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

(a) Accounting Treatment.

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

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

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

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

(a) Accounting Treatment.

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

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

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

b. Special Fund and Trust Fund Accounts.

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

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

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

(4) Accounting Treatment.

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

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

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

c. Revolving Fund Accounts.

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

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

(3) Accounting Treatment.

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

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

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

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

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

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

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

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

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

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

(4) Accounting Treatment.

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

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

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

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

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

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

(4) Accounting Treatment.

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

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

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

a. Nonexpenditure Transactions:

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

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

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

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

CHAPTER 4
ACCOUNTING SYSTEMS AND ORGANIZATION

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

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

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

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

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

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

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

(5) To support internal reporting to DOE management;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f. Integrated Contractors.

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

(a) The contractor has little financial risk;

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

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

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

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

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

3. SINGLE INTEGRATED FINANCIAL MANAGEMENT SYSTEM.

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

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

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

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

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

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

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

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

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

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

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

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

Other corporate systems that are integral to these systems are:

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

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

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

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

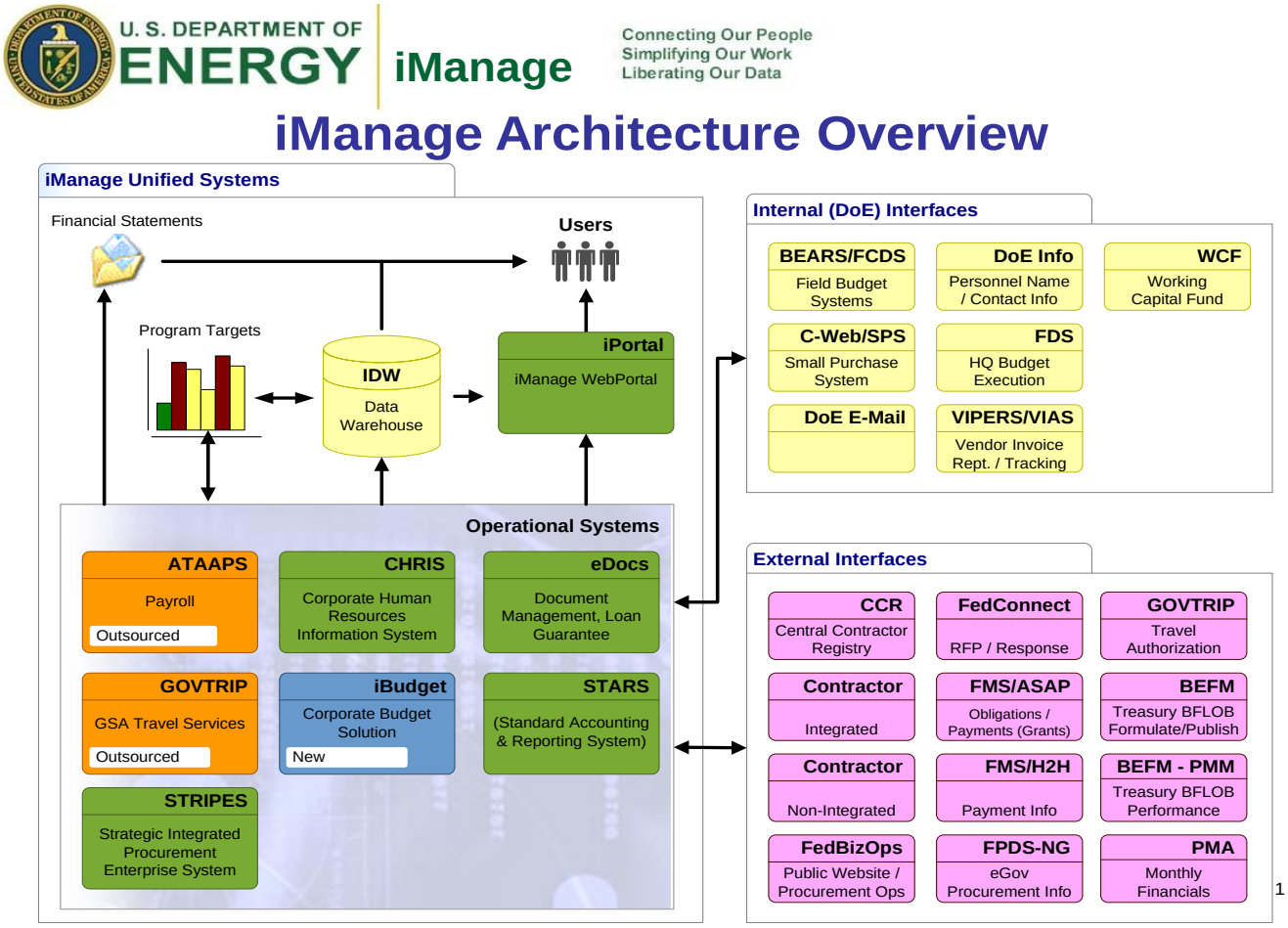
(b) FCDS. FCDS is an unclassified, real-time system that primarily performs the Allottee's Administrative Control of Funds function. In summary, FCDS provides an Allottee with early funds control detection prior to any formal recording in any I-Manage (STARS or STRIPES) system and a funds distribution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

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

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

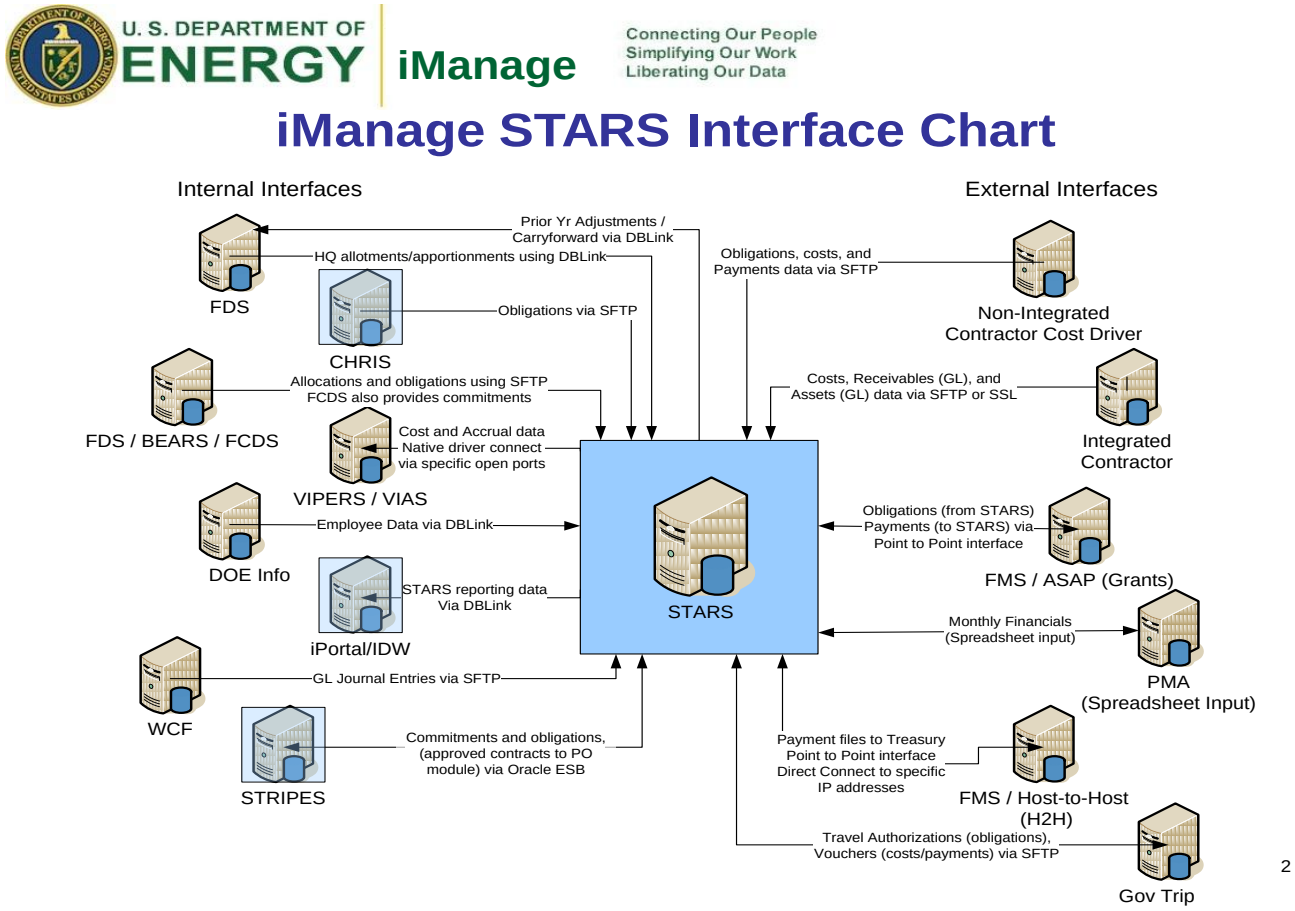
FCDS is administered and operated by the field Allottee organization, typically the Budget organization. NNSA and DOE's Chicago office utilize FCDS.

ATTACHMENT 4-1
I-Manage Architecture



1

ATTACHMENT 4-2
STARS Interfaces



CHAPTER 5
ACCOUNTING FOR OBLIGATIONS

Table of Contents

I. INTRODUCTION 3
I.A. Purpose 3
I.B. Applicability 3
I.C. Policy 3
II. COMMITMENT AND CERTIFICATION OF FUNDS AVAILABILITY 4
III. RECORDING OBLIGATIONS 4
IV. OBLIGATION OF TIME-LIMITED FUNDS 4
IV.A. Obligations for Non-Severable Requirements 4
IV.B. Obligation for Severable Requirements 4
IV.C. Travel with Time-Limited Funds 5
IV.D. Training and Development 5
IV.E. Agreements with Other Federal Agencies 5
IV.F. Replacement Contracts 6
IV.G. Adjustment(s) Increasing an Obligation after the Expiration of the Appropriation (Upward Adjustments) 6
IV.H. Adjustment(s) Decreasing an Obligation after the Expiration of the Appropriation (Deobligations of Expired Funds) 7
IV.I. Closed Appropriations 7
V. TYPES OF OBLIGATIONS 7
V.A. Contracts 7
V.B. Grants, Cooperative Agreements, and Technology Investment Agreements 11
V.C. Purchase Orders 12
V.D. Payroll 12
V.E. Travel 12
V.F. Transportation of Other Goods 13
V.G. Communications and Public Utilities 13
V.H. Agreements with Other Federal Agencies 13
V.I. Cooperative Work with Other Federal and Non-Federal Entities. 13
V.J. Interagency Orders Required by Law 14
V.K. Claims 14
V.L. Inter-Entity Work 15
V.M. DOE Working Capital Fund (WCF) 15
V.N. Interest 15
V.O. Foreclosures 15

V.P. Payments in Lieu of Taxes....15
V.Q. Other Miscellaneous Obligations....15
VI. ADJUSTMENTS TO OBLIGATIONS....15
VI.A. Modifications of Agreements....15
VI.B. Termination of Contracts and Agreements....16
VI.C. No-Year Appropriations....16
VI.D. Special Requirements for Increasing Obligations....16
VI.E. Special Requirements for Decreasing Obligations (Deobligations)....16
VI.F. Furnishing of Items by DOE to Contractors....18
VII. REVIEW AND REPORTING OF OBLIGATIONS....18
VII.A. Periodic Review and Validation of Unpaid Obligations....18
VII.B. Annual Certification....18
VII.C. Reporting of Uncosted Obligated Balances....19

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 of the handbook.

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 U.S.C. 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 U.S.C. 1502(a), which prohibits an agency from obligating funds that are appropriated for the needs of a time-limited period (single-year or multi-year) to meet the needs of subsequent time periods unless the obligation is authorized by more specific statutory authority such as the Federal Acquisition Streamlining Act of 1994 (41 U.S.C. 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 the Federal Acquisition Streamlining Act of 1994 (41 U.S.C. 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

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

An exception to the general rule applies for transportation costs such as air/rail that departs in September and returns in October. These costs may be fully obligated against the currently available time-limited funds when the trip begins. More specific guidance on accounting and obligations for travel during year-end periods may be included in year-end 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 U.S.C. 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 U.S.C. 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, 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, 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 requirements for an operating lease, including a cancellation provision.

OMB Circular A-11 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. Payroll

V.D.1. **Employee Salaries**

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

V.D.2. **Other Charges Based on Salaries**

Living and quarters allowances; supplemental pay allowances under 5 U.S.C. 3373; and employers' shares of contributions to retirement funds, insurance premiums, and Federal Insurance Contributions Act and Medicare taxes are obligated at the time employee salaries are earned and obligated as stated above in Section V.D.1

V.D.3. **Other Allowances such as Uniform Allowances and Incentive Awards**

Obligate these types of allowances and awards when they become payable to the employees.

V.D.4. **Severance Pay**

Obligate severance pay for the pay period covered, on a pay-period-by-pay-period basis.

V.D.5. **Annual Leave, Sick Leave, and Compensatory Time**

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

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 U.S.C. 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," 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 U.S.C. 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," 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 U.S.C. 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 U.S.C. 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 Transactions.”

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. 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 U.S.C. 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 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 deobligations 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, 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 U.S.C. 1501 have been recorded as obligations; that the unpaid balances of these obligations are reviewed at a minimum, at least annually, and are valid; and that invalid, inactive (stale), or excess balances, as a result, are promptly deobligated.

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 U.S.C. 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.

[1] Additionally, DOE Order 130.1A, Section 4.B.(6)(a) sets forth the policy on notification to OMB regarding High Performance Computing.

CHAPTER 6

PAYMENTS AND CASH MANAGEMENT ACTIVITIES

1. INTRODUCTION

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).

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.

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 2.f. 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.

d. EXCLUSIONS:

(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.

(2) Advance Payments. The accounting treatment and financial controls for advance payments are discussed in Chapter 7 of the *Financial Management Handbook*.

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

(3) Collections. Collections for Reimbursable work discussed in Chapter 13.1 and general collections are discussed in Chapter 13.2 of the *Financial Management Handbook*.

(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.

2. REQUIREMENTS

a. General Requirements.

(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.

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

(3) The Office of Management and Budget (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.

(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.

(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.

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

(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.

[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"

(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.

b. Payments to Non-Federal Entities. A principal objective of control over payments is to verify accurate payment of federal payments.[4]

(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.

(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.

(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.

(a) Use SAM to obtain TIN when only a valid DUNS or successor entity identifier is provided.

(b) Use the TIN or SSN to collect and report any delinquent amounts arising out of the contractor's relationship with the government.[8]

(c) TIN or SSN of the contractor or individual receiving payment is mandatory with each certified voucher prepared by DOE payment offices and provided to a disbursing official.[9]

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

[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
[9] 31 USC 3325(d)
[10] 48 CFR 4.903-4.904

(e) In accordance with Prompt Payment Act requirements, invoices provided for payment will include the TIN or SSN.[11]

(f) Federal Backup Withholding Requirements. The DOE payment offices will begin backup withholding immediately,[12] when:

1. Contractor refuses to provide a TIN;

2. IRS notifies DOE which vendor is subject to backup withholding; or,

3. IRS notifies DOE which vendor furnished an incorrect TIN.

4. Backup withholding will be computed as directed in IRS Publication 1281, "Backup Withholding for Missing and Incorrect Name/TIN(s)."

(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.

(a) For third party assignments requested by vendors or individuals for contracts, purchase orders, or financial assistance agreements, DOE payment offices will:

1. Obtain an official third party assignment from the entity or individual due payment from DOE.

2. Verify that the third party recipient has an active registration in SAM.

3. Obtain approval of the assignment from the invoicing approving official.

4. Confirm that the assignment is valid with the applicable responsible official in procurement or the program office. The responsible official could be the COR or the contracting officer.

(b) 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.

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[11] 31 CFR 1315.9
[12] 26 USC 3406, Internal Revenue Code

(c) 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.

(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.

(a) 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 2.b.(3).

(b) Type of forms filed by DOE include:

- 1099-MISC (Miscellaneous Income);
- 1099-INT (Interest Income);
- 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]

(c) 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).

[13] 26 USC 6041A and 26 USC 6050M, Internal Revenue Code
[14] IRS.gov
[15] See Rev. Proc. 99-50, which is available on page 757 of Internal Revenue Bulletin 1999-52

1. The PST will consolidate payment information and forward the necessary information returns to the contractors and the IRS on behalf of DOE.

2. 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]

(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]

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

(b) 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.

c. Payment of Invoices

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

(a) Prompt Payment Quality Control Program. Agencies will establish a quality control program.[19] The quality control program is an annual review to:

1. Verify payments, thresholds, and documentation requirements are made in accordance with 5 CFR 1315;

[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
[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

2. Provide a reliable way to estimate payment performance; and,

3. 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.

(b) 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.

(c) 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 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."

(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 2.c.(3)(e) 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.

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

(a) 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 2.c.(3)(e) of this chapter).

(b) 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.

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:

1. 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;

2. 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,

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

(c) Determination of a valid invoice.

1. Each invoice will be reviewed as early as practicable after receipt to determine if the invoice is a proper invoice;[22]

[20] 5 CFR 1315.9
[21] National Archives and Records Administration's General Records Schedule 1.1
[22] 5 CFR 1315.9(b)

2. 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 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,

3. 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.

(d) 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)).

(e) 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*.

(f) Timeliness of invoice review. DOE payment offices will establish timelines for invoice review as needed to meet Prompt Payment Act requirements.

(4) Determining the payment due date.

(a) The payment is due:

1. On the date(s) specified in the contract;

2. In accordance with discount terms when discounts are offered and taken;[24] or,

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

3. 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.

(b) 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.

(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.

(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.

(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.

(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.

(9) Discounts. Payments will be made early to take advantage of early 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

[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
[28] 5 CFR 1315.7

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.

(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.

d. Accountable Officers for Treasury Payment Systems.

(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.

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

(3) Designation of Certifying Officers within DOE.

(a) Authority to designate certifying officers. Consistent with I TFM, Part 4A, Chapter 3025, the DOE Secretary of Energy has delegated the authority to

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

designate certifying officers to the DOE Chief Financial Officer.[30] 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.

(b) 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:

1. 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;

2. 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,

3. 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.

(4) Advance Payment Decisions.

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

(b) 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.

(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

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

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.[31]

Accountable officers may be granted relief if:

(a) Payment was made in good faith and reasonable care by the official;

(b) Certification was based on official records;

(c) No law specifically prohibited the payment; and,

(d) Government received value for the payment.

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

(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.

(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.

(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.

(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

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

of Richmond processes the request and sends the payment to the recipient's bank account.

(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:

(a) Enrollment of recipients with the Treasury Bureau of the Fiscal Service,

(b) Set up of accounts for the recipients in the ASAP system,

(c) Input of authorizations,

(d) Certification of authorizations in Treasury's Secure Payment System, and

(e) Reconciliation of accounting records to ASAP account(s).

f. Payments to Site and Facility Management Contractors. Checks paid LOC funding through the Treasury ASAP system[32] 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.[33] A special financial institution account agreement with DOE, the contractor, and the financial institution is mandatory by Treasury for a checks paid LOC account.[34] Sample forms for the solicitation of banking services and sample agreements are maintained by the DOE OCFO Office of Financial Policy and Audit Resolution at the Financial Policy iPortal page.

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

[32] https://www.fiscal.treasury.gov/asap/
[33] 48 CFR sections 32.4, 932.4 and 970.32
[34] II TFM, Part 4, Chapter 5000, "Letter of Credit – Federal Reserve Bank System Operational Requirements"

(2) Operations.

(a) 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.

(b) 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.

(c) 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.

(d) 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.[35] Funds will be returned within 30 days from the date of the notification by DOE.

(e) 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.

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

(f) Restoration of the financial institution's reserve account is accomplished on the same day by drawing on the DOE account at FRB of Richmond.

(g) The financial institution is compensated for services performed by providing an invoice for fees incurred.

(h) 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.[36] Additional information is available on the Treasury website.[37]

[35] I TFM Part 4A Chapter 2045.10
[36] 31 CFR 202
[37] IRS Treasury Collateral Management & Monitoring, https://fiscal.treasury.gov/tcmm/

(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:

(a) Accounts are being operated correctly by the financial institution,

(b) Financial institution is being compensated in accordance with the checks paid LOC funding account agreement (or checks paid LOC financial arrangement),

(c) Financial institution is maintaining the level of collateral commensurate with the account balances, including overdrafts and excess drawdowns.

(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:

(a) 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.

(b) Excess Balances. An excess account balance results when a financial institution makes a drawdown from the ASAP 1031 account for more funds than needed to cover the net of the receipts and 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.

(c) 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.

(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.

(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.

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 Policy and Audit Resolution, 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
ACCOUNTING FOR PROPERTY, PLANT, AND EQUIPMENT

1. INTRODUCTION.

a. Background/Authorities. This chapter describes accounting requirements for the acquisition, use, and retirement of property and provides guidelines for distinguishing between charges to capital accounts and charges to expense accounts consistent with the applicable Statements of Federal Financial Accounting Standards (SFFAS).

b. Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview." When in conflict with the provisions of this 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 property, plant, and equipment (PP&E).

This policy supersedes all prior Office of the Chief Financial Officer (CFO) guidance on accounting for property, plant, and equipment.

c. Policy/Objectives. Financial accounting for PP&E is governed by the following basic principles:

(1) Department of Energy (DOE) property should be accounted for and reflected in the official DOE financial records in accordance with the capitalization criteria contained in this chapter, regardless of funding source;

(2) Depreciation should be calculated and recorded in the appropriate cost-of-operation account, using the appropriate fund type;

(3) Timely and accurate financial reporting on facility construction and capital equipment activities must be provided to DOE management;

(4) Financial control over property should be maintained;

(5) The primary basis of accounting for property is its acquisition cost (with the general exceptions of transfers, excess property received, foreclosures, and discoveries); and

(6) Timely capitalize assets meeting the capitalization criteria and when physically placed in service; and

(7) Depreciate the assets over the appropriate useful life.

d. Responsibilities.

(1) The CFO develops property accounting policies and procedures and accounts for property at DOE headquarters.

(2) The Office of Management:

(a) Serves as the Department's official point of contact relating to the acquisition, use, or disposal of real property;

(b) Is responsible for property management through the promulgation of acquisition regulations and financial assistance rules governing DOE property held by contractors; and

(c) Develops and maintains procedures, standards, and guides for property, supply, and equipment management programs and for personal property management.

(3) DOE field elements must maintain accurate and up-to-date accounting records and supporting documentation to provide the proper accountability for DOE's investment in property. DOE field elements also must maintain summary financial control records for all integrated contractors for which they are responsible.

(4) 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.

2. CAPITALIZATION CRITERIA AND GENERAL REQUIREMENTS.

a. General Requirement. Capitalize individual PP&E items that are purchased, constructed, or fabricated in-house, including major modifications or improvements to any of these items, if they have an anticipated useful life of 2 years or more and if the acquisition cost exceeds the capitalization threshold.

b. Distinguishing Between Accounting for Capitalized Property and Management of Accountable Property. Notwithstanding requirements to account for PP&E that meets the capitalization criteria of this policy, the Office of Management establishes separate requirements to maintain records of personal property for accountability purposes. See DOE Order 580.1A for accountability and property record requirements for personal property and DOE Order 430.1B for real property.

c. Capitalization Threshold.

(1) For items acquired, or placed-in-service for constructed assets, on or after October 1, 2011, the threshold is $500,000. For items acquired, or placed-in-service for constructed assets, before October 1, 2011, smaller thresholds apply. Contact the CFO Office of Finance and Accounting if more specific information is needed on past capitalization thresholds.

(2) The capitalization threshold for internal use software is $750,000. Accounting for internal use software is discussed in section 4.k of this policy.

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. Recording constructed assets and property acquired as part of a larger construction project is described in section 2.p below.

e. Conducting Physical Inventories. Policy requirements for conducting physical inventories are established by the Office of Management and described in DOE Order 430.1B, *Real Property and Asset Management*, and DOE Order 581.1A, *Department of Energy Personal Property Management Program.*

f. 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 (see additional detail in SFFAS 6, paragraph 26).

When costs are incurred directly by the entity to bring the asset to a form and location suitable for its intended use (i.e., costs not separately invoiced by a third party), the capitalized costs should be the total or fully burdened costs incurred. Generally, costs should be recorded net of purchase discounts taken. Purchase discounts lost and late-payment penalties should not be included as costs of assets, but should be written off as an operating expense.

As a general rule, indirect costs allocated to the purchase of the item are not capitalized. Indirect costs would include fringe benefits, overhead, materials and handling, facilities cost of money, laboratory-directed research and development (LDRD), and general and administrative (G&A).

g. Constructed Assets. When a DOE federal entity constructs a depreciable asset for its own use, the acquisition cost of constructed capital assets includes both direct and all allocated indirect costs of the entity that constructed the asset.

h. **Assets Constructed by Contractors.** Assets constructed by contractors should be capitalized according to the total contract costs incurred in the construction of the asset, including both direct costs incurred and allocated indirect costs.

i. **Assets Acquired through Energy Savings Performance Contracts (ESPCs)**. Assets acquired through ESPC contracts or other alternative financing mechanisms 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 a capital lease (see section 2.p of this policy).

The DOE Federal Energy Management Program (FEMP) maintains detailed definitions and information on ESPCs.

When ESPC contracts are used at contractor-operated sites, the contractor shall coordinate with the cognizant federal office to ensure proper recording of the ESPC transactions.

j. **Assets Acquired through Bulk/Aggregate Acquisitions.**

The table below provides guidance regarding the capitalization of items acquired in a bulk/aggregate acquisition, including items acquired under a capital lease.

Transaction Type		**Capitalization of Assets**	**Grouping of Assets**
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 exceeds capitalization threshold	Yes
Aggregate Acquisition	dissimilar items, related purpose/utility	Capitalize if the acquisition exceeds capitalization threshold	Yes
Aggregate Acquistion	dissimilar items, unrelated purpose/utility	Evaluate on an asset by asset basis	No

FASAB standards require the capitalization of assets acquired through a bulk/aggregate acquisition, except as noted in the chart above, to ensure period cost 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. An initial complement for facilities includes, but

is not limited to, landscaping, sidewalks, parking lots, furniture, fixtures and network equipment.

Assets acquired through bulk or aggregate purchases may be grouped into one or more property record units in accordance with the guidance in section 2.k of this policy.

Additional requirements relating to the accounting for assets acquired through a capital lease are discussed in section 2.p of this policy.

k. Property Record Unit Concept

(1) Property record units are designed to establish divisions or subsections of the completed PP&E categories. Property record units facilitate the recording of changes to property categories and the reconciliation of physical inventories with financial accounts.

(2) A property record unit, sometimes called a PP&E record unit, is a 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 manner in which costs are assembled and recorded in the property records. A property record unit may be composed of one or more retirement units. A retirement unit may correspond to a single asset or a group of assets having a related purpose/utility.

In selecting the property unit, consideration should be given to its use, relationship with other associated items, relative importance, frequency of anticipated property changes, and monetary value. A property record unit may be a functional unit consisting of an assembly of associated items, some of which are retirement units, such as a hydraulic extrusion press; a facility serving or designed to serve two or more other property record units, such as a control system or piping system; a continuous facility of which sections are retirement units, such as roads, walks, and paved areas; or a unit that is complete in itself, such as a spectrometer.

(3) Retirement units are established for convenience in accounting for the replacements of major components of plant and equipment.

(a) A retirement unit establishes a physical dividing line by which costs of major work related to plant and equipment are capitalized. Costs to extend the life of or replace the retirement unit should be capitalized. All other costs related to the retirement unit should be expensed. A retirement unit is a component of plant and equipment that is capitalized in a separate account and invariably

eliminated from the plant and equipment accounts when removed, transferred, sold, abandoned, or demolished.

(b) There should be a close coordination among the budget, accounting, engineering, project management, and technical staffs in the development and maintenance of retirement units. The development of retirement units should take into consideration such factors as use made of the item, retirement history of identical or comparable items, and the monetary and physical relationship of the item to the associated property record unit.

(4) Each field element or integrated contractor will develop and maintain its own property record unit catalog covering all activities reporting to that element. Approval by the head of the field element or a designee is necessary for new catalogs and revisions of sections of existing catalogs. DOE review and approval of property record unit additions and deletions by contractors should be done annually by the cognizant Field Chief Financial Officer or equivalent (Field CFO). A property record unit catalog describes the property record units that DOE owns. It provides a basis for a common understanding as to the manner in which PP&E costs are assembled and recorded in the field and contractor PP&E records. The description of each property record unit is intended to provide sufficient information to identify the unit in the PP&E records and for physical inventory purposes. The retirement units applicable to each property record unit provide a basis for distinguishing between capital (PP&E) and expense charges. A property record unit catalog should have the following principal features:

(a) An explanation of the property record units, what they consist of, and the descriptions used and type of asset;

(b) The manner in which the units are to be recorded in the property records, whether as individual items or as a group of similar items;

(c) A list of the retirement units applicable to each property record unit; and

(d) The current Departmental capitalization criteria.

(5) When assets are grouped and capitalized that would not normally be deemed to be accountable property according to the requirements of DOE Order 581.1A, Department of Energy Personal Property Management Program, the financial organization shall coordinate with the Organization Property Management Officer to ensure that the capitalized assets are

considered as other accountable property (see paragraph 4(c)2 of Order 581.1A).

l. 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.

m. Property Belonging to Other Agencies. Property belonging to other agencies includes property that is borrowed or that is in DOE's possession through purchase with funds provided by others to perform their work in accordance with an interagency agreement. Each organization having custody of any such property should establish detailed procedures to provide effective control over the property. Property control, including the vesting of title, should be in accordance with the terms and conditions of the agreement (see the DOE property management regulations at 41 CFR 109-1.5105) or the working arrangements for the use of funds and property of others. It is not intended that DOE record such property in its financial accounts, nor that depreciation be recorded thereon, if title is vested in the other party or parties. However, property management personnel are responsible for developing and administering detailed procedures for the control or property belonging to other agencies.

n. Items That Are Generally Not Capitalized

(1) Inherently Experimental Items. Items that are inherently experimental, used as special tools, or, by nature of their association with a particular scientific experiment, not expected to have an extended useful life or an alternative future use, are not capitalized.

(2) Interest. Generally, DOE elements should not capitalize interest during the acquisition of PP&E. However, certain DOE elements fund the acquisition, construction, or fabrication of PP&E through direct borrowing from the Department of the Treasury (Treasury) and pay interest directly to Treasury. In such cases, capitalize interest based on the interest rate charged by Treasury for the funds borrowed. The interest capitalization begins with the first expenditure for the qualifying asset and ends when the asset is substantially complete and ready for its intended use. Capitalize interest costs as long as the following general conditions are met:

(a) Expenditures for PP&E have been made, and

(b) Activities that are necessary to get PP&E ready for its intended use are in progress.

(3) **Maintenance and Repair**. Maintenance and repairs activities are not capitalized. As defined by SFFAS 40, 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.

(4) **Alterations.** Alterations are adjustments to interior arrangements or other physical characteristics of an existing property record unit so that it may be more effectively adapted to or utilized for its designated purpose. The following are examples of alterations:

(a) Removal or installation of interior walls for purposes of rearranging the layout of an office building, and incidental heating and ventilation ducting system modifications that do not significantly extend the capacity of the system;

(b) Construction of a door or passage through an interior structural wall; and

(c) Installation of new lighting fixtures that do not significantly increase the lumens emitted but may result in energy or maintenance savings.

An alteration does not result in betterment to the property record unit. Work to accommodate a change in use is a betterment (see section 2.r of this policy for a detailed discussion of betterments).

(5) **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.

(6) **Prototype Equipment**

(a) Expense conceptual design, fabrication, testing, and reworking of prototype equipment subject to redesign as fabrication and testing are performed. This usually applies only to the first unit if several similar units are to be acquired.

(b) Expense testing and reworking of prototype equipment for which design has been established.

(7) Environmental Management (EM) Property. EM property shall be accounted for in a manner consistent with Chapter 4 of SFFAS 6, "Cleanup Costs." Accounting requirements relating to EM property do not impact applicable budgetary rules.

o. Construction Work in Progress (CWIP)

(1) General Requirements. Construction 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.

(2) Accumulating CWIP Costs. Costs shall be accumulated in the CWIP account during the acquisition or construction period. Detailed accounting records should be maintained for:

(a) Each construction project or job; and

(b) Each item of capital equipment.

(3) Demolition, Dismantling, and Removal Costs and Salvage Credits. Removal costs should be accounted for as Construction Work in Progress when the removal is in connection with an authorized construction project or an equipment project and when one of the following conditions is met:

(a) Removal of existing facilities or equipment is a required part of the construction project;

(b) Costs are incurred when it is economical to salvage or reuse items;

(c) The removal is necessary for health and safety considerations; or

(d) Contractual agreements require removal.

(4) Transferring CWIP to completed PP&E. CWIP shall be transferred to completed PP&E no later than six months from the date it 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 STARS and FIMS shall be updated when an asset is placed in service.

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 environmental management property. See section 2.n.(7) of this policy for a discussion of environmental management property.

(5) Abandoned Projects. Abandoned project costs include costs incurred because of the cancellation of all or part of a contract or purchase order to procure, manufacture, or assemble an item of PP&E. These costs, less any salvage credits, are distributed over the remaining units of property within the project for project accounting purposes, except where such distribution significantly distorts the cost of the remaining property units. Where such distortion occurs, the costs of the abandoned project or project segment may be closed from Construction Work in Progress to Abandoned Projects. All charges to abandoned projects should be approved by the Field CFO and shall be coordinated with the project management official responsible for the abandoned project.

p. Accounting for Leases

(1) Definitions. A lease is an agreement conveying the right to use an asset, or part of an asset, such as part of a building, from one entity (the lessor) to another (the lessee) for a specified period of time in return for rent or other compensation. Operating and capital leases are defined in SFFAS 6 for accounting purposes. The definition of these terms for accounting purposes varies from the definitions used by OMB in Circular A-11 for budgetary purposes (see section 2.p.(4) below).

(a) Operating Leases. An operating lease is a rental agreement requiring periodic payments for the use of an asset during a period. An operating lease does not represent the acquisition of an asset; consequently, no new assets are recorded in the accounting records of the lessee.

(b) **Capital Leases**. A capital lease is an agreement that transfers substantially all the benefits and risks of ownership to the lessee. If, at its inception, a lease meets one or more of the capital lease criteria in SFFAS 6 as shown below, it must be classified as a capital lease by the lessee:

i. The lease transfers ownership of the property to DOE by the end of the lease term;

ii. The lease contains an option for DOE to purchase the leased property at a bargain price;

iii. The lease term is equal to or greater than 75 percent of the estimated life of the leased property;

iv. The present value of rental and other minimum payments, excluding that portion of the payments representing executor cost, equals or exceeds 90 percent of the fair value of the leased property.

(2) Recording capital leases.

Assets acquired through a capital lease shall be capitalized when the cost exceeds property capitalization threshold (see section 2.c of this policy). The requirement to capitalize the assets acquired under a capital lease applies when the amount of the lease liability exceeds the capitalization threshold, regardless of the cost of the individual assets acquired. The cost of general PP&E acquired under a capital lease shall be equal to the amount recognized as a liability for the capital lease at its inception (SFFAS 6 par. 29).

Expensing assets acquired through a capital lease does not affect separate accounting requirements to record the lease liability. The liability for a capital lease shall be recorded in all cases, even when the assets acquired through the capital lease are considered immaterial for accounting purposes (i.e., the value is lower than the capitalization threshold) and are expensed in the current period.

At the inception, the amount to be recorded for the leased asset(s) and the lease liability under a capital lease is the lower of (1) the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory costs paid by the lessor, or (2) the fair value of the leased property at the inception of the lease. Fair value is defined as the price for which an asset could be

bought or sold in an arm's-length transaction between unrelated parties (e.g., between a willing buyer and a willing seller).

If the portion of the minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated (SFFAS 5, paragraph 44).

When calculating the present value of the minimum lease payments, the discount rate would normally be the government's incremental borrowing rate. The implicit interest rate shall be used when (1) it is practicable for DOE to learn the implicit rate computed by the lessor and (2) the implicit rate is less than the government's incremental borrowing rate. The government's incremental borrowing rate shall be the Treasury borrowing rate for securities of similar maturity to the term of the lease (SFFAS 5 par 45), as reported in OMB Circular A-94, Appendix C. Follow instructions in A-94 for calculating the interest rate for a lease term that does not match current bond maturities.

During the lease term, each minimum lease payment should be allocated between a reduction of the obligation and interest expense so as to produce a constant periodic rate of interest on the remaining balance of the liability (SFFAS 5 par 46).

Operating leases are not capitalized. Note that the criteria for identifying capital leases for financial reporting purposes differ from OMB criteria for budget scoring of leases, which are discussed in paragraph 4 of this section. Leases that are expensed as operating leases for accounting purposes under the criteria of SFFAS 6 could still be considered a capital lease for budgetary purposes.

(3) Depreciation and interest expense

The property acquired through the capital lease is depreciated as a capital asset. For assets that will be owned by DOE at the end of the lease term, depreciation is calculated over the useful life of the asset. For assets that will be returned to the lessor at end of the lease term, depreciation shall be calculated over the lease term.

The difference between the total of the lease payments and the amount recorded as the capital lease is interest. A portion of each lease payment shall be allocated to interest expense, and the balance of the payment should be applied to reduce the lease liability.

(4) Budgetary definitions of operating and capital leases

OMB Circular A-11 provides separate definitions of operating and capital leases that are applicable for budget execution purposes. These definitions are similar but not identical to the FASAB definitions used for accounting purposes. The A-11 definitions are used to determine whether full funding must be obligated in the current fiscal year for future lease payments (capital leases), or whether funding need only be obligated for the minimum lease term and cancellation costs (operating leases). The accounting treatment of assets acquired under a capital lease has no bearing on the budgetary requirements in A-11. Budgetary rules require that full funding be obligated up front for most capital leases regardless of whether the asset is capitalized or expensed for accounting purposes.

In addition to the four SFFAS 6 capital lease criteria, Circular A-11 provides two additional criteria which must be met for a lease to be considered an operating lease for budgetary purposes:

(a) The asset is a general purpose asset rather than being for a special purpose of the Government and is not built to the unique specifications of the Government lessee; and

(b) There is a private sector market for the asset.

OMB Circular A-11 also requires that proposals for certain types of leases be submitted to OMB for review. These include any proposed lease of a capital asset where the total Government payments will exceed $50 million and all financing proposals that are non-routine in nature and involve unique or unusual concepts or characteristics. All major leasing requests must be coordinated with the CFO Office of Budget.

Some exceptions apply to the general requirements in A-11 for the full funding of capital leases, including leases included as part of an Energy Savings Performance Contract (ESPC) and GSA leases funded through GSA's Federal Buildings Fund. Questions regarding exceptions to the need for full funding of leases should be directed to the CFO Office of Budget.

q. Accounting for Betterments

(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 Energy Savings Performance Contracts (ESPC). Betterments that meet the criteria for capitalization shall be capitalized regardless of the funding source.

(2) Placed in service date. Betterments should be recorded according to the placed-in-service date of the betterment, as determined by the DOE management official responsible for completing the betterment.

(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.

(4) Special Circumstances

(a) Betterments to Fully-Depreciated Assets. Betterments to fully-depreciated capital assets that remain in use should be capitalized and depreciated only if the value of the betterment exceeds the capitalization threshold.

(b) 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. 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.

(c) 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. FASAB Technical Release 14 requires that depreciation be discontinued for assets permanently removed from

service, 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.

(5) Common Categories of Betterments

(a) **Construction** is the erection, installation, or assembly of a new plant facility; the addition, expansion, improvement, or replacement of an existing facility; or the relocation of a facility. Construction includes equipment installed in and made part of the facility and related site preparation; excavation, filling and landscaping, or other land improvements; and the design of the facility. Examples of improvements to an existing facility include the following:

i. Replacing standard walls with fireproof walls;

ii. Installing a fire suppression system in a space that was not previously protected;

iii. Replacing utility system components with significantly larger capacity components (for example, replacing a 200-ton chiller with a 300-ton chiller); and

iv. Converting the functional purpose of a room (for example, converting an office into a computer room).

(b) **Conversion.** Conversion is a major structural revision of a facility that changes the functional purpose for which the facility was originally designed or used.

(c) **Replacement.** Replacement is a complete reconstruction of a plant record unit that has deteriorated or has been damaged beyond the point where its individual parts can be economically repaired. If the item replaced is a retirement unit, its original costs, including installation cost, are removed from the PP&E categories, and the cost of the newly installed item, including installation cost, is added to the PP&E categories

r. Permanent Removal of Impaired PP&E

(1) **General requirement.** PP&E shall be removed from general PP&E accounts along with associated accumulated depreciation/amortization, if before disposal, retirement, or removal from service, it no longer provides service in the operations of the entity. This either could be because it has suffered damage, becomes obsolete in advance of expectations, or is identified as excess.

Further guidance is provided in FASAB Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment.*

(2) **Determining when permanent removal occurs.** Two business events are necessary for the permanent removal from service:

(a) Use of the asset is terminated, and

(b) There is documented 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 from service is evidenced by the actions taken in accordance with the entity’s policies and procedures to commence the retirement and/or disposal process. As required, auditable property records must be maintained to show the occurrence of the two events.

(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 SGL transactional information.

(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.

(5) Applying the PP&E materiality 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 (currently $500,000) at the time of the property's removal from service. Depreciation should continue for such assets, with the book value adjusted at the time of disposal, retirement, or removal from service.

s. Permanent Impairment of PP&E Remaining in Service

(1) Basic requirement. 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 construction work in process, with the exception of internal use software.

(2) Definition of Impairment for Accounting Purposes

As defined by FASAB in SFFAS 44, impairment is a significant and permanent decline in the service utility of PP&E, or expected service utility for construction work in process. 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 (a) expected to occur during the useful life of the PP&E or, (b) 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. FASAB has identified the following as common, but not exclusive, indicators of impaired assets:

(a) Evidence of physical damage;

(b) Enactment or approval of laws or regulations which limit or restrict general PP&E usage;

(c) Changes in environmental or economic factors;

(d) Technological changes or evidence of obsolescence;

(e) Changes in the manner or duration of use of general PP&E;

(f) Construction stoppage or contract termination; or

(g) General PP&E idled or unserviceable for excessively long periods.

Detailed guidance on identifying impaired assets is provided in SFFAS 44.

(3) Identifying impaired PP&E. There is no requirement to conduct an annual or other periodic survey 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 the PP&E is generally known. In the normal course of business, permanent impairments of items that remain in service should be infrequent.

(4) Assessing the significance of the impairment. Judgment is required to determine whether impairments are significant. Specific guidance for assessing the significant of impairment is contained in SFFAS 44.

(5) Measuring impairment. SFFAS 44 provides multiple approaches for measuring the impairment. Impairments will be measured using one of the accepted methodologies detailed in SFFAS 44.

3. REAL PROPERTY

a. Definition. Real property includes land, improvements on the land, or both, and interests therein. The chief characteristics of real property (real estate) are immobility and tangibility. It comprises land and all things of a permanent and substantial nature affixed thereto, whether by nature or by "human hand." "Nature" includes trees, the products of land, and natural resources; by "human hand," those objects, buildings, fences, or bridges erected on the land. Equipment or fixtures, such as plumbing, electrical, heating, built-in cabinets, and elevators, that are installed in a building in a more or less permanent manner usually are held to be part of the real property. Real property may also include triple-wide trailers or modular units joined together so that the structure is not portable and cannot be relocated without being dismantled and thus losing its identity. Trailers double-wide or less, used as temporary or mobile facilities should be considered personal property when not acquired or intended for permanent use.

b. Financial Controls over Real Property.

Detailed records of DOE-owned property must be maintained by the DOE field element or by a designated contractor. The summary financial control records maintained by field elements and contractors must include, at a minimum, the reporting code of the organization holding the property, the site code, the type of property (asset type), the acquisition cost, the accumulated depreciation, and the

use of status code. Accurate and up-to-date accounting records 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.

The DOE field element maintains detailed accountability records of all DOE-owned land, such as deeds, plats, and other legal documents.

c. **Purchase of Real Property**. The acquisition cost of real property includes the following:

(1) The cost of land and land rights includes the purchase price, other acquisition costs, and net costs of removing or wrecking any facilities acquired with the land.

(2) The cost of completed facilities purchased from non-Government sources includes the purchase price, other costs incident to the purchase, and the net cost of converting the facilities to make them useful to DOE. Exceptions to this policy must be authorized by the CFO Office of Finance and Accounting.

d. **Improvements to Non-DOE Property.** Improvements to non-DOE property, such as leasehold improvements, must be capitalized and recorded as a DOE asset if it otherwise meets the capitalization criteria, including the capitalization threshold.

The use of federal funds for improvements to the property of others is only permitted under certain circumstances. The Comptroller General has established the general principle that the Government may not make permanent improvements to non-Government-owned property. Exceptions 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:

(1) The proposed alterations are incidental to and essential for the accomplishment of the purpose of the appropriation;

(2) The cost of the alterations are reasonable;

(3) The improvements are used for the principal benefit of the government; and

(4) 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)

e. Separating Construction and Fabrication Costs from Research and Development Costs. Costs incurred for construction and fabrication activities are recorded as a Construction Work in Progress and capitalized when the asset is placed in service; costs incurred for Research and Development activities are expensed.

When a DOE laboratory or other operating contractor performs research and development activities and acts as prime contractor for design and construction work for DOE, the contractor must be able to clearly segregate costs incurred for R&D activities from costs incurred for construction and fabrication.

f. Existing Facilities Moved Because of Construction Activities.

(1) Moving existing permanent facilities, such as utility lines and roads, because of construction activities involves the retirement by removal or abandonment of existing facilities and the addition of new facilities. Such new facilities will be accounted for as a cost of the new project. Removal costs should be charged to Construction Work in Progress for Removal Costs. Credit the book cost of materials reused in the new project to Construction Work in Progress for Salvage Credits, and charge the assigned cost to the new project. The book cost of other materials salvaged should also be credited to Construction Work in Progress Salvage Credits, and this cost should be charged to inventory or other appropriate accounts. Removal costs and salvage credits should be closed from these accounts to the appropriate accumulated depreciation account. The retirement loss (the difference between the new amount closed to the accumulated depreciation account and the depreciation accrued on the retired facilities to the date of retirement) should be charged to Plant and Capital Equipment Adjustments Extraordinary Losses. The book cost of the retired facilities should be closed directly to the appropriate accumulated depreciation account.

(2) Costs of moving temporary construction facilities should be charged to Construction Work in Progress accounts and distributed to all projects served by the temporary facilities.

g. Closeout of Construction Projects.

(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.

(2) **Determination of Acquisition Cost.** The prime construction contractor or architect-engineer prepares the final cost report, depending on the type of contract involved. The final cost report provides a basis for entering construction project costs in the continuing property records and a means for determining the costs of property record units, and therefore, should be prepared under the general joint direction of finance, construction, and property management in the responsible field element

(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 Construction Work in Progress account once the PP&E is placed into 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 on the basis of actual total cost incurred to date.

(4) **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 Construction Work in Progress account when paid, but subsequently closed to completed Plant and Capital Equipment. Necessary adjustments to the original costs of the related property record units previously recorded should be made at the time the project is placed in service.

(5) **Determination of the Placed in Service Date.** As indicated by SFFAS 6, construction projects must be capitalized when they are placed in service. See paragraph 2.p.(4) of this policy for additional detail on determining the placed in service date.

h. **Financial Reporting Requirements.** The real property recorded on the financial records of DOE and its integrated contractors is reported in the Department's financial statements. Generally, the financial statements or associated notes must disclose the following:

(1) Real property classified into the following categories, separated by depreciated and nondepreciated assets:

(a) Land and improvements, and

(b) Structures, facilities, and improvements.

(2) Construction Work in Progress;

(3) The basis for determining asset value; and

(4) Additions to and retirements of real property each fiscal year.

i. Reconciliation of Real Property Records. DOE organizations and integrated contractors must annually reconcile their real and related property records. Financial control records are kept in the Department's accounting system (the Standard Accounting and Reporting System or STARS); the real property records are kept in the Facilities Information Management System (FIMS) database maintained by the Office of Management. Reconciliation is a necessary step to ensure the accuracy of the Department's financial reporting.

The annual 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:

(1) 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.

(2) 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.

(1) Only appropriate real property asset-type and use status codes should be used.

(2) 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.

(3) FIMS records the acquisition cost of the property. The acquisition cost recorded in FIMS is not adjusted downward to account for depreciation.

4. PERSONAL PROPERTY AND CAPITAL EQUIPMENT.

a. Definition. For financial management purposes, personal property is generally property meeting the capitalization criteria that can be moved and that is not permanently affixed to real property. Generally, items are personal property if they can be removed without seriously damaging or diminishing the functional value of either the real property or the items themselves.

b. Capital Equipment-Type 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.

c. Financial Controls Over Capital Equipment.

(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.

(2) The costs to similarly acquire capital equipment must be accumulated and transferred, using accounting entries, directly into the completed Plant and Equipment account.

(3) Financial records do not duplicate the detailed property records maintained by the cognizant property officer. However, for internal control purposes, the balances in the financial accounts should be reconciled semiannually with the detailed property records.

d. Equipment Acquired by Purchase.

(1) The cost of equipment acquired by purchase includes invoice cost, less discount, plus transportation charges, modification, and installation costs. If property acquired by purchase includes a trade-in, the recorded cost of the purchased item should be the net invoice cost plus the allowance for the traded-in item.

(2) The amount capitalized under an installment contract includes the purchase price, other costs incident to the purchase (for example, freight), and the net cost to make the equipment ready for use. Record such equipment in the accounts at the time it is placed in service.

e. Equipment Acquired as Part of a Construction Project. Items acquired as part of a construction or fabrication activity are not personal property items. Instead, for those items 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 shall be included as part of the construction or fabrication activity.

f. 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 in the Completed PP&E account. 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.

g. **Property Acquired by Foreclosure Processes.** Property acquired by foreclosure processes should be recognized at its appraised value. The difference between amounts due, costs incurred, and the appraised value of the assets acquired should be recognized as current period loss or gain.

h. **Property Acquired by Other Means.** Non-federal property acquired by donation, device, forfeiture, or confiscation should be recorded at the estimated fair market value plus any costs incurred to place the property in use. Donations from other Federal entities are considered transfers and are recorded at current book value.

i. **Research and Development Equipment.** Property purchased or fabricated for use in research is not capitalized if the property is not expected to have a useful life of 2 years or more in essentially its original form. The cost of such property is charged to operating expense.

j. **Property acquired by another agency that is funded by DOE through an interagency agreement.** An interagency agreement is a written agreement entered into between two Federal agencies that specifies the goods to be furnished or tasks to be accomplished by one agency in support of the other. In some cases, another agency may acquire capital equipment or property to support the performance of an interagency agreement that is funded by DOE. This section provides procedures for addressing such property.

(1) If capital equipment is purchased or otherwise acquired with DOE funds pursuant to an agreement, unless otherwise agreed by DOE and the other Federal agency, the following should apply:

(a) The title thereto should vest in DOE;

(b) The other Federal agency should be accountable for the property until it is transferred to DOE; and

(c) The other Federal agency should maintain a record of capital equipment procured or fabricated.

(2) Unless expressly authorized by the contracting officer in advance, the other Federal agency should not be reimbursed for the procurement or fabrication of capital equipment.

(3) At the termination or completion of the agreement, accountability and control of items, regardless of dollar value, should be transferred to DOE,

if so requested by DOE. If transfer is not requested, title should be transferred to the other Federal agency.

(4) Not later than 15 days after the close of each reporting period, the other agency should furnish DOE monthly or other periodic cost or financial reports in such form and detail as stated in the interagency agreement. Any costs incurred for capital equipment should be supported by a list showing the description, make, any serial number, and the cost of each item acquired.

(5) 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 8 of this policy.

k. Internal Use Software.

(1) **Applicability.** Statement of Federal Financial Accounting Standards (SFFAS) Number 10, "Accounting for Internal Use Software," is applicable to all internal use software either purchased or in the development phase after September 30, 2000. "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. 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.

(2) **Capitalization Criterion.** Software valued at $750,000 and more with a useful life of at least 2 years shall be capitalized. The $750,000 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 $750,000.

(3) **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. Generally, bulk purchases of internal use software that meet the Department's established capitalization threshold and two-year life shall be capitalized.

(4) **Exclusions**. The following types of projects should not be capitalized:

(a) Legacy waste software; i.e., internal use software whose primary purpose (more than 50%) is to support environmental legacy waste, is excluded from the requirements of SFFAS Number 10.

(b) Software that is an integral part of stewardship property, plant, and equipment.

(c) Research and Development software. However, in some cases software may originally be developed for research and development purposes but may later be used for operational purposes. In such circumstances, the software should be capitalized if it otherwise meets the capitalization criteria.

(d) Minor enhancements of existing internal use software. Minor enhancements are those that are unlikely to result in significant additional capabilities or functionalities, regardless of the amount spent on the enhancement (see section (6)(b) below).

(5) **The Decision to Capitalize or Expense**. Not all costs associated with a software project or procurement will be capitalized. In order for a software project's costs to be eligible for capitalization, management must have authorized the project (i.e., management must have committed to the project and believe that it is more likely than not that the project will be completed). 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 5. A. v. below)
Impairment	Reduce capital value
Retirement	Remove capital asset

Note: For more detailed explanations, refer to SFFAS 10 for software phases and related processes.

(6) Capitalization/Expense Guidance.

(a) Costs to be capitalized. The following costs related to the purchase, development or modification of internal use software should be capitalized if those costs exceed the capitalization cost threshold and the software is expected to have a useful life of two years or more:

i. The actual cost of software procured from a software provider;

ii. Any material internal cost incurred by the entity to make commercial off-the shelf (COTS) software ready for use;

iii. 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;

iv. 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;

v. The acquisition cost of enhancements to existing internal use software, and modules thereof, should be capitalized when it is more likely than not that they will result in significant additional capabilities and they meet the capitalization threshold. Enhancements costing less than $750,000 that are part of a phased software development project and enhancements that extend the usefu11ife of the software should be expensed. Note that "bug fixes" are not enhancements;

vi. The cost of changes and modifications to existing software of purchased software that results in significant additional capabilities (i.e., added functionality) of the software;

vii. The cost of software configuration, software interfaces, and installation to hardware; and

viii. The cost of testing, including any parallel processing.

(b) Costs to be expensed. The following costs related to the purchase, development, or modification of internal use software should be expensed:

i. 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;

ii. Data conversion costs;

iii. Costs incurred after final acceptance testing has been successfully completed;

iv. Minor enhancements that qualify as ongoing systems maintenance, including bug fixes;

v. 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.

(c) Environmental Management (EM) Internal Use Software. EM property shall be accounted for in a manner consistent with

Chapter 4 of SFFAS 6, "Cleanup Costs." Accounting requirements relating to EM property do not affect applicable budgetary rules.

(d) Amortization of Capitalized Software Costs

i. 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.

ii. For each module or component of a software project, amortization must begin when that module or component has successfully completed final testing. If the use of a module is dependent on completion of another module, the amortization of that module must begin when both that module and the other modules have successfully completed final testing.

iii. 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.

(7) Special Considerations for Cloud Computing Arrangements

(a) 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.

(b) If the Department enters into 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 5 and SFFAS 6. The internal use software requirements in SFFAS 10 are not applicable to a cloud computing arrangement that does not convey

a contractual right to the internal use software or does not include a software license.

(c) 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.

(d) 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.

5. GOVERNMENT-OWNED, CONTRACTOR-HELD PROPERTY.

a. Purpose. To set forth the general policy to be used by the office of the Field CFOs for establishing financial accounting for Government-owned, contractor-held property. Detailed property records maintained by contractors should not be duplicated by DOE. Financial control accounts are to be maintained by the appropriate office of the Field CFO. Contractors' procedures are not covered except to the extent that such procedures must accurately and reasonably produce the information that is required by DOE to maintain accurate financial records of property. This section does not attempt to supplant the requirements of the Federal Acquisition or Property Management Regulations or the DOE Acquisition or Property Management Regulations for maintaining control over Government property, but it discusses topics of common interest to both finance and property management personnel.

b. Integrated Contractors.

(1) Definition. An integrated contractor is a contractor that works for DOE; uses DOE funds to finance its operations under a cost-type contract; and maintains a separate set of accounts and records for the recording and reporting of all business transactions under the contract in accordance with DOE accounting practices and procedures, and whose accounts, maintained for operations under the contract, are integrated with those of DOE.

(2) Financial Controls.

(a) The financial control between DOE and the integrated contractor is accomplished by integrating the contractor's accounts with those of DOE.

(b) At a minimum, property records of integrated contractors should include the following data:

i. Account and supplementary data code number (such as asset type, use status, and site);

ii. Property record unit title and description, including inventory or property control number (U.S. Government identification tag number);

iii. Location data sufficient to facilitate physical inventories and provide other necessary administrative controls;

iv. Date of accounting entry;

v. Reference to accounting journal entry, project number, and other project information;

vi. Date placed in service, if substantially different from the date of accounting entry;

vii. Additions, quantity and dollar amount (acquisition cost, net of discounts);

viii. Retirements, quantity and dollar amount; and

ix. Standard or estimated useful life.

(3) Reporting Requirements. Reporting requirements of integrated contractors are a part of the normal monthly or other periodic submissions to the cognizant STARS site.

(4) Reconciliation Requirements. The integrated contractor should identify, explain, and report to DOE the differences between its property records and the summary financial control records. The Field CFO should approve all accounting adjustments to the financial control accounts.

c. Nonintegrated Contractors.

(1) Definition. An offsite, nonintegrated contractor is one that works for DOE, receives DOE funds in reimbursement of operations, and maintains an accounting system for the recording and reporting of all business transactions under the contract and whose accounts are not integrated with DOE. An offsite, nonintegrated contractor is not a transportation contractor, grantee, cooperative agreement recipient, or state or local

government. The contractor is directly responsible and accountable for all Government property in its possession or control in accordance with the provisions of the contract, including property provided under such contract that may be in the possession or control of a subcontractor.

(2) Financial Controls. An offsite, nonintegrated contractor should establish and maintain adequately detailed financial records on property acquisition, disposition, and fabrication as required by the contract. The cognizant Field CFO should maintain the summary financial control accounts. At a minimum, property records of nonintegrated contractors should include:

(a) Contract number;

(b) Asset type;

(c) Description of item (name and serial number);

(d) Tag number (Government ownership identity);

(e) Acquisition document reference and date;

(f) Manufacturer's name and model number;

(g) Location (physical area);

(h) Unit acquisition cost (including delivery and installation);

(i) Use status; and

(j) Site code.

(3) Reporting Requirements. The cognizant Field CFO should establish procedures to require that payment vouchers submitted by contractors itemize accountable property purchases, categorized by DOE funding type, and record this information accordingly. In addition, the contractor should prepare a semiannual report, as of February 28 and August 31 of each year, for each of its contracts and subcontracts, showing, by asset type, the dollar amount and the number of line items of PP&E that were acquired, fabricated, or disposed of during the period. At a minimum, the report should show the beginning balance, acquisition, fabrication, disposition, and ending balance. The report should be submitted 45 days after the end of the reporting period, or final date of the contract if applicable. The original and two copies of this report should be sent to the property administrator, who, in turn, should provide copies to the contracting officer

and to the servicing financial organization. Additional requirements may apply according to the terms of the contract.

(4) Reconciliation Requirements. The above semiannual report provides DOE with financial data on DOE-furnished or contractor-acquired property in which title is vested with DOE, and facilitates the reconciliation of the detailed property accounts of the contractor with the summary financial control accounts of the cognizant DOE field element. Reconciliation means to compare the dollar acquisition cost, by asset type, of property in the possession of a contractor with the dollar, by asset type, of property in the corresponding financial control account. The contractor should identify and explain differences, and the Field CFO should approve all accounting adjustments to the financial control accounts.

6. PROPERTY ACQUIRED UNDER GRANTS, COOPERATIVE AGREEMENTS, AND SPECIAL RESEARCH CONTRACTS.

a. Purpose. This section establishes the requirement for the financial recording of property acquired or furnished under the terms of DOE grants and cooperative agreements.

b. Reporting Requirements. Annually, and at the completion of the agreement, recipients must provide to the contracting officer, who should provide a copy to the office of the Field CFO, an inventory listing of DOE-owned property in their custody.

c. Reconciliation Requirements. The inventory reports should serve as the basis for reconciliation of capital assets with the financial control accounting records of the cognizant Field CFO.

7. DEPRECIATION AND DEPLETION.

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.

(1) Tangible assets. Accumulated depreciation accounts are maintained and reported for tangible assets.

(2) Minerals, timber, and natural resource assets. Depletion is recorded for natural resource assets such as minerals and timber. Depletion is further explained in paragraph 8f(4).

(3) **Land**. Land is not expensed through depreciation, depletion, or amortization.

b. Basic Requirements.

(1) Depreciation charges should be based on the cost of depreciable assets recorded in the PP&E categories, less the estimated net salvage value, if significant. Net salvage value is the actual or estimated amount recovered or recoverable from the sale, transfer, or reuse of retired PP&E, less expenditures for the sale or transfer. Charges to inventory or other appropriate accounts for reusable materials or parts recovered from retired units also are considered as salvage, including plant and equipment with inherent useful value, as well as the value as scrap material.

(2) Generally, all limited-life property, including property being acquired by capital lease, is considered depreciable, whether in service or in standby.

(3) All items of property that have an unlimited life, or for which the salvage value is estimated to equal the original cost of the assets, should be considered as nondepreciable. Such assets include those recorded in the asset type classifications for Land, Land Rights, and Site Preparation, Grading, and Landscaping. However, land rights acquired for a limited period of years are depreciable.

(4) The straight-line method of assigning depreciation expense to accounting periods is to be used generally throughout DOE. The units-of-production method may be used only in special cases where applicable, such as depreciating automotive equipment on a mileage basis or construction equipment on an hourly use basis.

(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.

c. Depreciation Methods. The following depreciation methods may be used:

(1) **Unit Procedure for Computing Depreciation Expense.** Under the unit procedure, a unit of property is depreciated at a rate based on its specific 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.

(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.

(3) Composite Depreciation Rates. Composite depreciation rates may be applied to PP&E categories in computing depreciation amounts, provided the composite rates are based on calculations using particular groups of assets (for example, trucks, cars, and buses) and their applicable individual rates, and not on rough general estimates. Composite rates should be computed by applying the appropriate individual rates to the cost of each group included in the account and dividing the sum of the amounts thus obtained by the total balance of the account. Composite rates should be redetermined whenever substantial changes occur in the relative proportion of different groups in an account or when individual rates based on standard 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 percent of the $500,000 total asset cost			

d. Standard Useful Lives

(1) List of Standard Useful Lives. When standard useful lives are provided as part of the procurement or build of a PP&E, the provided useful life is used for depreciation purposes. Absent a useful life, the list in Attachment 10-1 should be used to determine depreciation rates for all other items of completed PP&E except for those items having useful lives that are materially different from normal averages because of the peculiarity of their use or other special conditions. The list is expanded or revised as

required. Extraordinary obsolescence and nonrecurring casualties were not considered in establishing these standard useful lives.

(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 items, 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. The CFO Office of Finance and Accounting will review and approve all requests for revision to the list of standard useful lives. (PMAs should refer to publications or studies on utility plant useful lives.)

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 (such as work for others), adjustments to the depreciation base is effective with 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:

(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.

(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 plan for the future use of the PP&E in standby, depreciation should be charged to the program values of future use. However, standby expense items applicable to production activities is reported (but excluded from product inventory) as other production expenses.

(3) Equipment Held for Future Projects. To the extent that equipment in this classification can be identified as being held for use in a given program 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.

(4) Excess. Depreciation on excess PP&E should not be calculated.

f. Exceptions.

(1) Depreciation of Improvements to Property of Others. Depreciation accruals on PP&E included in the Improvements to Property of Others account is 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–by charging the Plant and Equipment Adjustments account.

(2) Calculation of Depletion. To calculate depletion, an estimate is made of the amount of natural resources to be extracted, in units of tons, barrels, or any other acceptable measurement. The estimate of total recoverable units is then divided into the total cost of the depletable asset to arrive at the depletion rate per unit. The annual depletion expense is the rate per unit times the number of units extracted during an accounting period.

(3) Oil and Gas Producers. In computing depletion for properties that contain both oil and gas, convert the oil and gas reserves and the oil and gas produced to a common unit of measure on the basis of their approximate relative energy contents (without considering their relative sales values) unless either oil or gas clearly dominates both the reserves and current production. Units-of-production amortization rates are revised whenever there has been a significant change in oil and gas reserves, but at least once a year. Capitalized costs are amortized in the following manner:

(a) Acquisition, exploratory, and development costs of proved properties on a units-of-production basis, using recoverable reserves;

(b) Costs of facilities for extracting, gathering, and storing oil and gas on a units-of-production basis; and

(c) Cost of gas plants on a straight-line basis (one half of 1 year depreciation in the year of acquisition, and the other half in the year of disposition)

8. PROPERTY TRANSFERS.

Property transfers are transfers of plant and equipment, accumulated depreciation, and construction work in progress. Property transfer procedures are established to account for and control assets purchased through expenditure of appropriated funds. Transfers could occur between DOE offices and contractors as well as between DOE and other Federal agencies.

Real property transfers shall be consistent with the requirements of DOE Order 430.1B, *Real Property Asset Management.* Personal property transfers shall be consistent with the provisions of DOE Order 580.1A, *Department of Energy Personal Property Management Program,* and DOE Guide 580.1-1, *Department of Energy Personal Property Management Guide,* which describe the requirements for managing personal property.

a. Transfers between DOE offices and contractors. Such 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.

(1) Transfers of completed PP&E. Completed PP&E shall be transferred based on the acquisition cost less the accumulated depreciation. The transferring office shall credit the Completed Plant and Capital Equipment, debit the Accumulated Depreciation of the transferred asset, and debit Financing Sources Transferred Out for the net book value. The receiving finance office shall debit Completed Plant and Capital Equipment, credit Accumulated Depreciation for the asset received, and credit Financing Sources Transferred In.

(2) Transfers of Construction Work in Progress (CWIP). Construction Work-in-Progress is transferred based on costs accumulated for a particular construction project. The transferring entity's Construction Work-in-Progress account shall be credited, and Financing Sources Transferred Out debited for the costs to be transferred. The receiving entity's Construction Work in Progress shall be debited, with Financing Sources Transferred in credited.

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.

(1) Preparation of the Transfer Voucher. 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 accouting, each transfer voucher shall show the appropriate type of transfer in a conspicuous manner as part of the description, as follows:

i. Administrative transfers;

ii. Excess equipment for disposal;

iii. Other excess plant and capital equipment transfers; and

iv. Funded inventory transfers.

(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.

c. **Reconciliation of DOE Transfer Accounts**. Each organization shall adhere to the following rules, as well as to the procedures prescribed in paragraphs 8.b.(1-2) above, for preparing and forwarding transfer vouchers to keep the DOE transfer accounts in agreement:

(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.

(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. Telephone, facsimile, or e-mail confirmations should be used.

(3) If any transferred items are inadequately supported by documentation or are improper, the organization receiving the transfer voucher shall ask the

office that prepared the transfer voucher to furnish additional information or a correcting transfer voucher, as the situation may require.

(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.

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.

(1) Transfers of Completed Plant and Capital Equipment to Other Federal Agencies (OFAs). The finance office shall record transfers of Completed Plant and Capital Equipment of OFAs by crediting Completed Plant and Capital Equipment for the acquisition cost, debiting Accumulated Depreciation for the amount accumulated, and debiting Financing Sources Transferred Out for the net book value.

(2) Transfers of Completed Plant and Capital Equipment from OFAs shall be recorded by debiting Completed Plant and Capital Equipment for the acquisition cost, crediting Accumulated Depreciation for the amount (estimated if unknown) accumulated, and crediting Financing Sources Transferred In for the net book value, based on the transfer documents.

ATTACHMENT 10-1

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	10
Buses, passenger	10
Carriers, weapon	10
Cars, armored.	10
Jeeps	5
Sedans	6
Scooters	6
Station wagons	6
Trailers, automotive (all types)	10
Trucks (all types):	
Heavy	10
Light	8
Bag sealers	20
Baking panels	20
Balers:	
Metal	25
Paper	20
Bar turners	15
Bath, temperature	20
Batteries, storage (stationary)	10
Battery chargers	10

Item	Useful Life (Years)
Beds, cooling	25
Benches, work:	
Metal	10
Wood	15
Bevatrons	20
Binoculars and telebinoculars	15
Bins, storage:	
Concrete	35
Metal	30
Wood	15
Blenders, dry material	20
Blowers, exhaust, portable	10
Blowers and fans	20
Boats	10
Boiler feed water system	25
Boilers	25
Boothers, ingot separation, complete	8
Boxes, fare	15
Breaching and flue systems	25
Breathing air system	20
Bridges, highway:	
Concrete	50
Steel:	
Heavy	50
Light	35
Wood	15
Briquetters	20
Buckets:	
Load lugger	20
Slug	20
Buildings:	
Temporary, light wood frame, plywood or sheet metal exterior walls or arched sheet metal construction	10
Prefabricated (rehabilitated flattops)	20
Wood framing, exterior walls covered with wood siding, asbestos shingles	30
Light steel structures with finished interiors	30
Masonry exterior walls, wood interior framing or steel frame with metal panel walls, corrugated sheet metal siding and roofing	40
Masonry exterior walls, concrete or steel frame	50
Bus, electrical	Same life as principal structure, but not to exceed 50 years
Cabinets, drying, firehose	15
Cable, aerial, telephone	30

Item	Useful Life (Years)
Cable, underground:	
Telephone	30
Electric	40
Calciners:	
Pot	5
Trough	10
Tube:	
Under 1,000°C	10
1,000°C and above	5
Canning stations	20
Capacitors	25
Car mover or puller, railroad	20
Carrier current telephone equipment	15
Car spot, railroad	30
Cathodic protection units	15
Cells:	
Electrolytic	20
Electrolytic, steel-fluorine production	5
Mockup facilities	20
Structural	20
Centrifuges	20
Chargers, slug, portable	20
Chargers, stationary (remote charging cave)	25
Chime recovery system	10
Chime straightener	15
Chlorinators	20
Circuit breakers, power	25
Classifiers:	
Hydro	30
Mechanical, wet	30
Cleaners:	
Furnace pot	20
Natural gas	25
Clocks, watchman	15
Coal handling systems	20
Comminutors	15
Communication systems (excludes intercommunication systems)	30
Community furnishings and equipment:	
Barber and beauty shop equipment	10
Dormitory and hotel furniture and fixtures	15
Dry cleaning fixtures	15
Grocery store furniture and fixtures	15
Musical instruments	10

Item	Useful Life (Years)
Playground equipment	10
Shoe repair shop equipment	15
Theater furniture and equipment	15
Compressors	25
Compressors, gaseous diffusion cascades	40
Concrete finishing machines, portable	10
Condensers:	
Gas	20
Synchronous	30
Conductors:	
Overhead	35
Underground:	
Electric	40
Telephone	20
Conduit, underground:	
Electric	40
Telephone	50
Containers, trash	15
Control systems	20
Converters	20
Converters:	
Condenser, and tube test system	15
Dry ice	25
Gaseous diffusion cascades	40
Conveyors	20
Coolant systems	30
Coolers	20
Cosmotrons	20
Counters, traffic	15
Cranes, mobile, crawler	15
Cranes and hoists, installed	30
Crucible loading stations	20
Crushers	20
Crystallizers (over 100-ft3 tank size, 40 ft of deck length, or 3 ft2 of cooling surface per linear foot)	15
Curtains, ventilation	10
Cutters, shade	10
Cyclotrons	20
Cylinders, product storage, steel	40
Dams	100
Deaerators	25
Decks, slime	20
Degasifiers	20
Degreasers	20

Item	Useful Life (Years)
Deheaders, drum	10
Dehumidifiers (over 20-ft3 tank size)	20
Deionizers (over 100,000 g of CaCO)	25
Demineralizers	25
Demulsifiers	20
Denitration units	10
Digestors (over 100 gal)	10
Dishwashers, electric	10
Dissociators, ammonia	20
Dissolvers	10
Drainage systems, open	50
Drills, earth	10
Drum painting and drying stations	10
Drums, cylinders, and containers	10
Drunkometers	10
Dryers	20
Dumpers, drum	20
Dust collectors	15
Economizers	25
Elevators	25
Elevators, portable	10
Engravers and engravographs	10
Evaporators	20
Exciters	25
Exposure fields	25
Extrusion presses	20
“F” machines	20
Feeders	25
Fences:	
Chain link	25
Wire	15
Wood	15
Filter presses	20
Filters	20
Fire alarm equipment	25
Fire fighting equipment, mobile	15
Flagpoles	30
Flexible shafts, with motors	15
Freezers, electric	15
Furnaces:	
Electric:	
Reaction	20
Remelt	20

Item	Useful Life (Years)
Hearth	25
Heat treating	25
Roasting	20
Tilting pot	20
Garage equipment	10
Generators:	
Electric:	
Emergency, turbine driven	30
Diesel driven	25
Motor driven	25
Gas	25
Van de Graaff	20
Geological equipment:	
Geiger counters	10
Scintillometers	10
Globes, geographic	15
Grates, sluice	50
Grease flotation units	20
Grounding systems	40
Ground wires, overhead	40
Guard towers Rate according to type of construction	
Guns, deluge	15
Gymnasium equipment (such as boxing rings, rowing machines, tumbling mats)	10
Health instruments	10
Heaters	25
Heaters, portable, electric:	
Over 10,000 Btu	10
10,000 Btu and under	5
Heat exchangers	20
Hoppers	25
Hospital and medical equipment:	
Beds and hospital furniture	15
Dental chairs	15
Medical instruments	10
X-ray equipment	15
Hot mix plants	20
Hydrants, fire	50
Hydraulic accumulator systems (pneumatic oil)	25
Hydraulic pressure boosters	20
Incinerators	20
Industrial trucks and tractors	10
Instrumentation, gaseous diffusion cascades	25

Item	Useful Life (Years)
Instruments:	
Engineering	25
Industrial	15
Measurement and control	10
Surveying	25
Intercommunication systems	15
Irrigation canals	100
Janitorial service equipment	10
Jolters	5
Kettles, heating and melting	15
Kilns (over 50 ft3)	20
Laboratory equipment:	
Hoods	15
Photographic equipment	10
Professional and scientific instruments	10
Pumps and other general equipment	20
Sinks, cabinets, and other furniture	20
Special radiation instruments, apparatus, and accessories	10
Ladders, extension, metal (30 ft and over)	10
Laundry equipment	15
Lighting fixtures, street and fence	20
Lightning arresters	25
Light plants, emergency	25
Loaders	5
Locators, cable fault	15
Locker assemblies	10
Lubrication oil systems	20
Magnets, lifting	15
Magniflux machines	15
Manholes	40
Mannequins, thyroid uptake and calibration	5
Meters, customer:	
Electric	25
Gas	25
Water	30
Meters, speed:	
Electric	15
Radar	10
Mills, tumbling, wet grinding	20
Mixing machines, gas and air	20
Mobile and accessory equipment:	
Air compressors	15
Concrete mixers and pavers	10
Excavating machinery	10

Item	Useful Life (Years)
Farm machinery	15
Pumps	20
Road machinery	10
Tractors	10
Welders:	
Electric	15
Gas	10
Mold coating systems	20
Monorail material handling systems	20
Motor generator sets	20
Motors:	
Electric	20
Internal combustion	10
Nets, lifesaving	15
Odorizers, natural gas	25
Office furniture and equipment:	
Furniture, fixtures, and filing cases:	
Metal	25
Wood	20
Mechanical equipment and machines	10
Safes and vaults	40
Oil bubblers	20
Oil recovery devices	20
Oil storage and filtering systems	25
Optical devices	25
Ovens, electric or gas	15
Partitions, movable	25
Photographic and reproduction equipment	10
Piles (see Reactors)	
Pipe supports, outdoor	20
Piping systems, indoor:	
Air	25
Gas	25
Process	25
Process, gas, gaseous diffusion cascades	40
Steam	25
Water	40
Piping systems, outdoor:	
Air	25
Gas	25
Process	25
Sewer	40
Steam	25
Water	40

Item	Useful Life (Years)
Pistol or rifle range equipment	15
Platform lifts, portable	25
Platforms:	
Concrete	25
Steel	25
Transformer	20
Wood	10
Plating, coating, and stripping systems	5
Poles, crossarms, and fixtures:	
Steel	40
Wood	30
Pools, spray	20
Portable cranes, derricks, hoists, and winches	10
Portable scales	20
Portable tools:	
Air	10
Electric	10
Gasoline engine	10
Power mowers	5
Powerplants, portable	20
Power wiring system, indoor	25
Precipitators, electrostatic	20
Process equipment, heavy water	35
Projectors, contour	10
Proportioners, chemical	25
Protection equipment:	
Firearms	15
Fire extinguishers	10
Radio equipment	10
Protective breathing apparatus	15
Public address systems, portable	5
Pulverizers	15
Pumps:	
Water	20
Other	15
Purgers	25
Radiation source material:	
Cesium 137	15
Cobalt 60	5
Radium	50
Radios	10
Radio stations:	
Antenna	15
Towers	25

Item	Useful Life (Years)
Transmitters	10
Railroad rolling stock:	
Cars	20
Locomotives	25
Railroads:	
Bridges and culverts	45
Grading and ballast	30
Rails and ties	25
Signal systems	25
Ranges, electric	15
Reactivators (100,000-g capacity)	25
Reactors (electrical system devices)	25
Reactors, nuclear:	
Production	25
Research	25
Receivers, air	25
Recreational facilities, outdoor	20
Rectifiers (over 10 kVA)	10
Refrigeration systems	20
Refrigerators	15
Regulators:	
Circuit and bus	25
Pressure	20
Remote handling equipment	10
Repulpers	20
Reservoirs and pits	50
Restaurant, cafe, and canteen equipment	10
Resuscitator units	15
Retaining walls:	
Concrete	40
Timber	20
Roads, walks, and paved areas:	
Asphalt	20
Concrete	30
Gravel or stone	15
Robots, general purpose	20
Rolling mills	20
Saddles	20
Sampler, automatic	15
Scales:	
Conveyor	20
Platform	20
Screens:	
Trash	35

Item	Useful Life (Years)
Traveling	25
Vibrating	20
Scrubbers (tank over 20 ft3)	20
Security alarm system	25
Separation equipment	20
Septic tanks	35
Services:	
Electric	25
Gas	40
Sewer	30
Water	40
Sewage clarifier mechanisms	20
Sewer rod machines	20
Sewing machines	15
Shakers, car	20
Shears, powered	20
Shell loading machines	15
Shop equipment:	
Electric shop equipment	15
General maintenance shop equipment	10
Machine metalworking tools	25
Paint shop equipment	10
Pipe shop equipment	25
Plumbing shop equipment	25
Sheet metal shop equipment	25
Woodworking machinery and equipment	20
Shredders, paper	10
Silos:	
Concrete and masonry	50
Metal	40
Wood	20
Sludge drying beds	30
Sludge heaters	30
Slusher haulers	20
Spur tracks	25
Stacks:	
Concrete or masonry	50
Metal	30
Stitchers, wire	10
Stills	20
Straighteners, bar	20
Strapping machines	15

Item	Useful Life (Years)
Structures, outdoor substation:	
Metal	40
Wood	25
Superheaters (tank over 20 ft3 or 100-ft2 surface)	15
Switchboards	20
Switches, disconnecting	20
Switchgear	30
Synchrotrons:	
Electron	20
Proton	20
Tables, pool	15
Tanks:	
Concrete	50
Metal	40
Process	25
Wood	15
Telephone exchange equipment	30
Telephone subscribers station equipment	30
Teletypewriter equipment	30
Thickener	20
Timer, driver training	20
Tools, process, installed	10
Towers:	
Chemical process	10
Cooling	15
Meteorological and other structural steel towers	25
Traffic lights	20
Transformers:	
Current and potential	25
Steel lighting	20
Transmission and distribution	30
Trestles	40
Tunnels	50
Turbines	25
Turbogenerators	30
Turntables (over 10 ft in diameter)	20
Unit substations	30
Vacuum systems	15
Vaporizers	20
Varidrives (over 5 hp)	20
Washers, drum or can	20
Waste gas burners	25
Water softening systems	25
Wells	40

Item	Useful Life (Years)
Wires, open, overhead	25
Wiring systems, outdoor	30

CHAPTER 11
LIABILITIES

1. INTRODUCTION.

a. Applicability. This chapter applies to all Departmental elements.

b. Background/Authorities. This chapter prescribes the policies and general procedures for recording and reporting liabilities consistent with the Statement of Federal Financial Accounting Standards (SFFAS) or Government Accountability Office (GAO) Title 2 standards in the absence of SFFAS. Liabilities include those with: the environment; pensions and postretirement benefits; environmental safety and health; accounts payable; accrued expenses; interest payable; accrued payroll and benefits; accrued leave; deferred revenues, including advances; deposit funds; debt issued under borrowing authority and the Federal Financing Bank; loan guarantees and loan commitments; contingent liabilities; lease liabilities; and the Federal Employees Compensation Act. Additionally this chapter prescribes criteria for reporting liabilities covered by budgetary resources vs. those that are not.

c. Policy/Objectives.

(1) All probable and measurable liabilities, as defined by SFFAS 5, shall be measured and recorded at the most reasonable amount possible, given the circumstances under which the liability was created.

SFFAS# 5 defines a liability 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."

(2) Liabilities recorded in financial statements shall reflect invoices received and accruals for any costs incurred, and assets received for which progress billings, grant reimbursement requests, and other billings have not yet been received. Liabilities shall be recorded and/or footnoted regardless of whether funds are available or authorized for payment. Detailed guidance for recording and accruing Departmental liabilities can be obtained from the Office of Finance and Accounting. Guidance includes the "DOE Cost Accrual Guide" and the "Environmental Liability SOP."

(3) Contingent liabilities shall be recorded as incurred liabilities if the loss is probable and the amount can be reasonably estimated. Loss contingencies that are judged to have a reasonably possible chance of occurring or that cannot be estimated should be included as a footnote on the financial statements.

(4) Separate accounts shall be established for major categories of liabilities to facilitate their clear and full disclosure on financial statements. The accounting records will

differentiate between Federal and non-Federal liabilities. Accounts will provide for the classifications contained in the Standard General Ledger Chart of Accounts (SGL).

(5) Accounts shall be maintained on an accrual basis. Costs and revenues shall be identified with and recorded in the period in which they are incurred, even if receipt of the revenue or payment for the expenditure occurs in a subsequent accounting period. A balance should be maintained between the effort required to measure accrued costs precisely and the added value of such precision.

(6) When receiving advances and prepayments for services not yet rendered, record a deferred revenue liability. When payment is earned, that is, goods or services have been delivered or contract terms have been met, the appropriate amount of revenues is recognized with a corresponding reduction in the liability.

2. TYPES OF LIABILITIES.

a. **Environmental Liabilities**. The Department of Energy's (DOE)'s environmental liabilities result primarily from legacy research, production, and testing of nuclear weapons. Prior and current mission work, such as nuclear weapons stockpile activities and nuclear power technology development, also result in environmental liabilities. The Department accounts for three categories of environmental liabilities. They are:

(1) Office of Environmental Management (EM) – liabilities for cleanup activities that are part of the EM program;

(2) Active Facilities – liabilities for contaminated active or surplus facilities that are not in the EM program and are included in the Department's Active Facilities Data Collection System (AFDCS) or non-modeled estimate; and

(3) Other Legacy Environmental Liabilities – cleanup activities that are not the responsibility of EM or an active/surplus facility.

The Department's Office of Environmental Management (EM) is primarily responsible for managing the legacy of contamination from the nuclear weapons complex. As such, EM manages thousands of contaminated facilities formerly used in the nuclear weapons program, oversees the safe management of large quantities of radioactive waste and nuclear materials, and is responsible for the cleanup of large volumes of contaminated soil and groundwater. This component of the environmental liability encompasses the EM life-cycle cost estimate strategic vision to complete this cleanup mission. The strategy provides for a site-by-site projection of the work required to complete all EM projects, while complying with regulatory agreements, statutes, and regulations. These projections have been documented in

detailed plans. Each project estimate includes detailed projections of the technical scope, schedule, and estimable costs at each site for the cleanup of contaminated soil, groundwater, and facilities; treating, storing, and disposing of wastes; and managing nuclear materials. The estimates also include costs for related support activities, such as landlord responsibilities, program management, grants and cooperative agreements for participation and oversight by Native American tribes, regulatory agencies, and other stakeholders.

The Department's active facilities environmental liabilities represent anticipated remediation costs for 1) contaminated facilities still in active use by active programs and 2) for retired contaminated facilities awaiting transfer to EM. Active (non EM) programs are responsible for estimating the environmental liabilities associated with the stabilization, decontamination and decommissioning, as well as asbestos contamination of thousands of active and surplus facilities across the complex. The environmental liability estimates are largely based on a cost estimating model, AFDCS. Based on data inputs for each non-EM facility across the Department, AFDCS calculates the environmental liability estimate for each active facility. Site specific estimates are used in lieu of the AFDCS, when available.

Environmental liabilities not under the EM program or active facilities are considered Other Legacy Environmental Liabilities. This category includes the remediation of structures, and land, as well as various radioactive or hazardous materials managed and/or in use by the Department's other programs. These liabilities also include estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities. The Office of Legacy Management (LM) is primarily responsible for the legacy activities at closed sites to include former uranium mills and certain sites remediated by the U.S. Army Corps of Engineers. The costs for these LM post-closure activities, including long-term surveillance and maintenance liabilities under the responsibility of the Department's other programs (i.e. Science, National Nuclear Security Administration, and Nuclear Energy), are generally estimated for a period of 75 years after the completion of the EM Program clean-up activities. In cases where a statue, regulation, or enforceable agreement exists requiring cleanup or monitoring for a different period of time after 75 years, the long term stewardship liability should be recorded to accommodate the revised time period. Also included in these liabilities are estimates for the disposition of various materials. The most significant of these materials is surplus plutonium.

b. **Environment, Safety and Health (ES&H)**. The Department's environment, safety, and health (ES&H) liability represents those activities necessary to bring facilities and operations into compliance with existing ES&H laws and regulations, including the Occupational Safety and Health Act, the Clean Air Act, and the Safe Drinking Water Act. Types of activities included in the estimate relate to the following: upgrading site-wide fire and radiological programs; nuclear safety upgrades; industrial hygiene and industrial safety; safety related maintenance; emergency

preparedness programs; life safety code improvements; and transportation of radioactive and hazardous materials. The estimate covers corrective actions expected to be performed in future years for programs outside the purview of the Department's EM Program. ES&H activities within the purview of the EM program are included in the EM environmental liability estimate.

Processes for reporting environmental and ES&H liabilities that are required for Federal financial reporting can be obtained from the Office of Finance and Accounting.

c. **Pension and Other Post Retirement Benefits**. The Department does not report Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) assets, accumulated plan benefits, or liabilities applicable to its federal employees. The Office of Personnel Management (OPM), which administers the plans, is responsible for and reports these liabilities.

The Department, however, is contractually responsible for reimbursing its major contractors who sponsor employee defined benefit pension plans for the costs of contractor employee retiree benefits because these are allowable costs under their contracts. Thus, the Department records the contractors' total liabilities for pensions in its Annual Financial Report. The Department's site contractors sponsor defined benefit pension plans that promise to pay specified benefits to their employees, such as a percentage of the final average pay for each year of service. The Department's allowable costs under these contracts include reimbursement of annual contractor contributions to these pension plans and the costs associated with managing the plans and their assets.

Most of the contractors also sponsor postretirement benefits other than pensions (PRB) consisting of predominantly postretirement health care benefits. The Department approves, for cost reimbursement purposes, these contractors' pension and PRB plans and is responsible for the allowable costs of funding the plans. Thus, the Department records the contractors' total liabilities for PRB plans in its Annual Financial Report.

Contractor Pension Plans

The Department follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715, *Compensation – Retirement Benefits*, for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. The Department has a continuing obligation to reimburse allowable costs for a variety of contractor-sponsored pension plans, both qualified and nonqualified. In this regard, benefit formulas consist of final average pay, career average pay, and dollar per month of service.

Contractor Postretirement Benefits Other than Pensions

The Department follows FASB ASC 715, *Compensation – Retirement Benefits*, for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. The Department accrues the cost of PRB during the years that the employees render service. The Department's contractors sponsor a variety of postretirement benefits other than pensions. Benefits consist of medical, dental, life insurance, and Medicare Part B premium reimbursement.

d. **Accounts Payable**. Amounts owed to others for goods and services received and assets acquired, for which a bill has been received or approved. Any percentage of amounts due to contractors that DOE retains as a guarantee of performance may remain in a special account established for retention. Document the accounts payable control account(s) with unpaid invoice files, subsidiary ledgers, or other forms of subsidiary records. The accounting records must distinguish between accounts payable to non-Federal entities and accounts payable to other Federal agencies.

e. **Other Accruals and Liabilities**. Amounts owed by the Department for items or services received, expenses incurred, assets acquired, or construction performed, for which a bill (e.g., progress billings, grant reimbursement requests, and other billings) has not been received or approved. Processes for performing cost accruals for DOE can be obtained from the Office of Finance and Accounting.

(1) Interest Payable. Interest payable represents liabilities for interest expense incurred but not yet paid. These expenses typically arise from interest due on long-term debts, capital lease obligations, and late payment of invoices. The accounting records must distinguish between interest payable to non-Federal entities and interest payable to other Federal agencies.

(2) Accrued Payroll and Benefits. Accrue the unpaid wages and benefits that employees have earned at the close of each accounting period. Generally, federal performance awards are excluded.

(3) Accrued Leave.

(a) Annual Leave. Record the liability for annual leave at the current hourly rate; and adjust each year to reflect unused leave balances, statutory limitations to leave amounts, and to reflect employees transferred in or out during the year. Accrued leave for DOE employees will be recorded as a liability.

(b) Compensatory Time Off. Record the liability for compensatory time off at the overtime rate in effect when the compensatory time was earned.

(c) Sick Leave. Accrue sick leave for contractor employees if a contractual requirement exists for employees to be paid for unused sick leave. A liability for DOE employees will not be accrued since payment is not made for unused sick leave.

(4) Minimum Requirements for Accruing Costs. The following are minimum requirements for accruing costs related to the indicated procurement instruments. While the minimum requirements are intended to provide a proper balance between materiality and the high volume of cost accrual transactions, accruals should ensure that the yearend financial statements present fairly the aggregate cost accruals for the Department. Accrual procedures must meet or exceed the following requirements:

(a) Non-Integrated Contracts and Purchase Orders. Accrue non-invoiced costs monthly if the uncosted balance is greater than $1 million; and

(b) Financial Assistance Instruments (e.g. Grants, Cooperative Agreements and Technology Investment Agreements). All financial assistance instruments issued are subject to the same accrual procedures as other procurement awards. As with all other accruals, controls must be maintained to ensure monthly accrual estimates for financial assistance awards are reasonably accurate and supportable.

f. **Deferred Revenues.** Deferred revenues represent advance payments from others to cover the cost of services, materials, or other assets that DOE will furnish in the future. The accounting records must distinguish between advances received from other Federal agencies and advances received from non-Federal entities. For additional guidance regarding advances for reimbursable work and co-sponsored projects, see Chapter 13, "Reimbursable Work, Revenues and Other Collections." Costs incurred in the performance of work for Federal and non-Federal entities shall be accumulated and charged against the advances.

g. **Funds Held for Others.** A liability shall be established whenever DOE has physical possession or responsibility for non-Government personal property or cash. This includes certain funds that belong to others, such as payroll deductions and deposit funds. Funds held for others also include amounts held in suspense accounts awaiting disposition or reclassification. The individual details for each of these accounts reside in the asset accounts. The balances in these accounts must be supported by schedules of voucher deductions, collections, and transfers between accounts.

h. **Suspense Accounts**. Suspense accounts include amounts arising in the course of operations that cannot be analyzed readily and recorded to the proper account because of inadequate information, uniqueness of the transaction, or similar complications. Temporarily record such items to the suspense account to avoid undue delays to

monthly closing. Determine the proper account for all suspense items and record them accordingly as soon as possible to ensure accurate financial reporting. In accordance with the Department of Treasury Bulletin No. 2011-06, transactions in Treasury suspense accounts 089F3885 and 089F3875 cannot be more than sixty days old. The Department is required to certify annually the balances in these accounts and provide explanations for any transactions exceeding sixty days old. Accordingly, offices need to limit their use of suspense accounts and clear this activity on a continuous basis. Failure to meet the sixty day requirement may result in the Department of Treasury prohibiting the use of such accounts.

i. **Debt.**

(1) Certain DOE offices have been granted authority by law to borrow funds from Treasury. The statute granting the borrowing authority may contain limitations on the authority that an agency is granted such as a limit on the amount that can be outstanding at any one time. Offices are responsible for managing borrowing limitations set forth in the statute and for working with Treasury to develop a Memorandum of Understanding (MOU) that communicates the specific policies and procedures of Treasury and describes the respective responsibilities of Treasury and the office. Principal and interest payments on funds borrowed shall be made when and as due to the General Fund using the prescribed method of transfer.

(2) Power marketing administration legislation requires recoupment of appropriate funds over a specified time period and rate of interest. Power marketing administrations shall record the investment of the U.S. Government in power facilities as Proprietary Capital, Federal Investment, or Federal Appropriations. Interest expense or interest charged to construction shall be computed and repaid to the Reclamation Fund or other appropriation source.

(3) OMB Circular A-11 prescribes specific requirements for the calculation of interest expense for the Title 17 Innovative Technology 100% loan guarantee program and the Advance Technology Vehicle Manufacturing loan program. Sections 185.32 and 185.34 of A-11 provide the specific provisions for the calculating the interest expense using the Credit Subsidy Calculator 2.

j. **Contingent Liabilities**.

(1) General. Contingent liabilities are potential liabilities that might become actual if certain future events, beyond the Government's control, result in losses or impairments of assets or incurrence of liabilities. Some examples of contingent liabilities involve: (1) pending or threatened litigation; and (2) possible claims and assessments.

(a) When a loss contingency exists, the likelihood that a future event or events will confirm the loss or impairment of an asset or the incurrence of a liability can range from probable to remote.

1 *Probable:* The future event or events are likely to occur.

2 *Reasonably Possible:* The chances of the future event or events occurring are more than remote but less than likely.

3 *Remote:* The chances of the future event or events occurring are slight.

(b) Accrual and disclosure of contingencies, including programmatic impacts, vary depending on probability of occurrence.

1 *Probable and Estimable:* Losses that are deemed probable and can be reasonably estimated will be accrued as a liability. Estimated losses could be within a range or a specific amount. If some amount within a range is a better estimate than any other amount within the range, that amount should be accrued. If no amount within a range is a better estimate than any other amount, the minimum amount in the range is accrued and the range and description of the nature of the contingency should be disclosed. Additionally, disclosure of the nature of the accrual is necessary if the financial statements would be misleading without such disclosure. [1]

2 *Probable but Inestimable:* If the contingency is deemed probable but cannot be estimated, a footnote disclosure should be made on the financial statements.

3 *Reasonably Possible:* May require disclosure depending upon significance and materiality.

4 *Remote:* No accrual or disclosure required.

(2) Loan Guarantees and Commitments. Please see Financial Management Handbook Chapter 22, "Direct Loans and Loan Guarantees."

[1] Those cases with a "probable" likelihood of an unfavorable outcome status, regardless of amount sought for the claim, must be recorded in the accounting system if the loss amount can be reasonably estimated. Instructions for recording contingent liability/accrual accounting entries can be found in the Unfunded Liability Guide and can be obtained from the Office of Finance and Accounting.

(3) Tort Claims. Tort claims are contingent liabilities and are disclosed in the financial statements, as discussed in paragraph 2.j(1). Tort claims are claims against the United States for injury to or loss of property or personal injury or death caused by the negligent or wrongful act or omission of any employee of DOE while acting within the scope of office or employment. Refer to paragraph 2.j(1)(b) for recognition of claim contingencies.

k. **Leases.**

(1) A capital lease shall be treated as the acquisition of an asset and the incurrence of a liability. All lease-purchases or capital leases (except purchases of telecommunications equipment as provided in Chapter 10 of the Financial Management Handbook) are required to have up-front budget authority for the full liability of the lease as provided for in Appendix B of Office of Management and Budget Circular A-11. Further information on recording capital leases can be found under Financial Management Handbook Chapter 10, "Property, Plant and Equipment."

(2) Operating leases do not normally result in the incurrence of a liability. Consistent with the requirements of SFFAS 5, amounts obligated for the non-cancellable portion and termination costs of an operating lease are not recorded as a liability. Consistent with section 2.d of this chapter, a liability will be recorded from cost accrued for the use of equipment or property involving an operating lease that are due and payable to the lessor.

Information on obligations for operating leases can be found under the Financial Management Handbook Chapter 5, "Accounting for Obligations."

Operating leases must be fully obligated at inception unless the lease includes a cancellation clause. In that case, the minimum amount that must be obligated at the inception of the lease is the amount of the lease payments over the minimum lease period plus any required cancellation payment. For property leases (rent), normal Departmental practice is to include a cancellation provision in the lease agreement so that the full funding for the lease period does not need to be obligated up front. For GSA leases, obligations are required only for the annual lease payment per OMB A-11, Appendix B.

l. **Federal Employees' Compensation Act (FECA) Liability** (Recorded at Headquarters). FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-

related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Department of Energy employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by DOE.

DOE records two liabilities for FECA. One is an accrued liability, which represents money owed for claims paid by the DOL. The other is an actuarial liability representing the expected future liability for approved compensation claim cases.

For the accrued FECA liability, DOL provides the Department an annual billing report which provides actual amounts paid on behalf of DOE. DOE records a liability for the amounts paid, considering DOL normally requires payment (via IPAC) 15 months after the receipt of this billing report.

For the actuarial liability, on or about October 1, the DOL provides DOE with data regarding its share of the Federal government's estimated actuarial liability for future workers' compensation benefits. This includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined utilizing historical benefit payment patterns related to a specific period to estimate the ultimate payments related to that period. DOE records the change in its actuarial liability from the previous fiscal year.

m. **Other Liabilities**. Any other liabilities that have not been defined elsewhere should be disclosed in the financial statements. The principle of materiality and full disclosure should govern the inclusion of such liabilities. The nature of each liability should be identified and reported, either by a footnote to the financial statements or by actual inclusion of an amount in a liability account, if the potential amount due or a loss can be estimated

3. ADDITIONAL LIABILITY REPORTING REQUIREMENTS

a. **Introduction.** In addition to recognizing different types of liabilities as described above, the Department must disclose both liabilities covered by budgetary resources and those that are not covered by budgetary resources in the footnotes. Below are explanations of these terms:

b. **Liabilities Not Covered by Budgetary Resources**. These result from the receipt of goods or services or occurrences of eligible events in the current or prior periods for which revenues or other sources of funds necessary to pay the liabilities have not been made available through either Congressional appropriations or current earnings of the Department. Most contingent liabilities do not meet the criteria for recording an obligation under 31 USC 1501. Further information regarding contingent liabilities is provided in Government Accountability Office's Red Book ("Principles of Federal Appropriations Law - Third Edition, Volume II," Chapter 7).

The Department has established specific liability accounts to record unfunded liabilities. The use of these accounts is restricted to those liabilities specifically identified in the SGL. As part of the financial statement analysis and notes submission, field offices must provide the CFO Office of Finance and Accounting a listing of the events and legal cases recorded in the Department's contingent liability standard general ledger accounts as of June 30th and September 30th for each fiscal year. The listing must include the dollar amount for each event or legal case. Further procedural requirements guidance for reporting contingent liabilities and other liabilities not covered by budgetary resources can be obtained from the CFO Office of Finance and Accounting.

c. **Liabilities Covered by Budgetary Resources.** These are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account), and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

CHAPTER 12

INTER-ENTITY WORK BETWEEN DOE ORGANIZATIONS

1. INTRODUCTION

a. PURPOSE

Inter-entity work is work performed between Department of Energy (DOE) federal entities and contractors. The chapter provides the financial policies and procedures for inter-entity work processes, specifically:

(1) DOE federal entity orders with DOE integrated contractors (section 2.b of the policy)

(2) DOE federal entity costs paid by a DOE integrated contractor (section 2.c of the policy)

(3) Inter-contractor purchases between integrated contractors (section 2.d of the policy)

(4) DOE federal entity work performed for another DOE federal entity (section 2.e of the policy)

(5) Subcontract Work Performed by a DOE Federally Funded Research and Development Center (FFRDC) for a DOE Non-integrated Contractor (section 2.f of the policy)

b. AUTHORITIES

Relevant financial authorities are cited in the chapter. The chapter does not establish procurement policies. Procurement policies are in the Federal Acquisition Regulation (FAR), the DOE Acquisition Regulation (DEAR), and in other guidance issued by the DOE Office of Management (MA). Only the federal contracting officer can obligate the government to pay a contractor (that is, create a contractual obligation, for example, place work on a contract), and only after obtaining funds and obligating the funds on the contract. Only the contracting officer can remove a government obligation to pay a contractor, and in doing so must de-obligate the funds obligated on the contract.

c. APPLICABILITY

The chapter applies to Departmental elements, including the National Nuclear Security Administration (NNSA) (DOE federal entities), that use the DOE Standard Accounting and Reporting System (STARS), DOE integrated contractors that use the DOE Payment and Collection System (DOE-PAC), and contractors that operate Federally Funded Research and Development Centers (FFRDCs).

This chapter does not apply to transactions between DOE federal entities that use STARS and DOE federal entities that do not use STARS, including the Power Marketing Administrations and the Federal Energy Regulatory Commission. Inter-entity transactions with entities not using STARS shall follow applicable policies and procedures governing inter-agency transactions. Transactions with DOE federal entities that do not use STARS are processed through Treasury's Intergovernmental Payment and Collections System (IPAC), and involve the transfer of funds from one appropriation account to another appropriation account. The required agreement documentation must be prepared, which cites the relevant transfer authority.

Policy revisions contained in section 2.b of this policy, relating to DOE federal entity orders with DOE integrated contractors, are effective on October 1, 2020. Policy revisions contained in section 2.d of this policy, relating to inter-contractor purchases between integrated contractors, are effective on April 1, 2021.

d. DEFINITIONS

(1) **DOE Federal Entity**. For the purpose of the policy, a DOE federal entity is any federal organization that is consolidated with the Department's financial statements.

(2) **Inter-contractor purchases.** For purposes of the policy, an inter-contractor Purchase (ICP) is a purchase transaction for supplies or services between two or more DOE/NNSA Management and Operating (M&O) contractors or site/facility management contractors that are integrated contractors.

(3) **Integrated contractors.** 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 MA Office of Acquisition Management (MA-60).

(4) **Inter-Entity Work Order (IEWO).** A funding document used to document work from one DOE organization to another DOE organization. An IEWO is not a procurement form and does not authorize any procurement actions.

(5) **Non-integrated contractors**. DOE contractors that do not have a contractual requirement for integrated accounting.

(6) **FFRDC.** For purposes of the 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.

(7) **DOE-PAC**. The DOE Payment and Collection System. The DOE system facilitates billing and payments between DOE federal entities and contractors, and is integrated with the DOE primary accounting system STARS.

(8) **IPAC.** The Intra-governmental Payment and Collection system is a way for Federal Program Agencies (FPAs) to transfer funds from one agency to another and is maintained by the U.S. Department of Treasury Bureau of the Fiscal Service.

2. REQUIREMENTS

a. GENERAL REQUIRMENTS

(1) **Disputes.** Disputes relating to procurement matters should be referred to the cognizant contracting officer, as appropriate.

(2) **Records.** Records must be maintained to support costs charged through the DOE-PAC system and STARS in accordance with DOE O 243.1A, Records Management Program, or successor policy. Documents must be attached in the DOE-PAC system as appropriate and maintained manually/electronically by each federal entity or contractor.

b. DOE FEDERAL ENTITY ORDERS WITH DOE INTEGRATED CONTRACTORS

(1) **Scope and Purpose.** Effective October 1, 2020, any new funding actions for work to be performed by a DOE integrated contractor for a DOE federal entity may not be processed in the DOE-PAC system as described in this section (section 2.b.).

(2) **Approvals and Performance.** DOE federal entity orders with integrated contractors will be processed in accordance with applicable procurement statutes, regulations and policy, including DOE O 412.1A, *Work Authorization System*. The Naval Reactors Program will process new requests using approved procurement process consistent with Department of Energy Acquisition Regulations (DEAR) clauses and other applicable procurement statutes, regulations and guidance.

(3) **Funding.** Funds necessary to support the work authorization will be provided through the Office of the Chief Financial Officer (OCFO) Funds Distribution System, consistent with current OCFO funds distribution procedures.

(4) **Accounting, Billing and Payment.** Project cost accounting for federal entity orders with integrated contractors may be maintained through the use of appropriate DOE accounting codes, including project values or local use values defined by the federal entity.

c. DOE FEDERAL ENTITY COSTS PAID BY A DOE INTEGRATED CONTRACTOR

(1) **Scope and Purpose**. The financial process defined by this section (section 2.c) will be used for valid situations when a DOE federal entity is paid 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 individual reimbursable work agreements.

The policy does not authorize contractors to direct procurement actions by federal officials.

(2) **Approvals and Performance.** The DOE integrated contractor, the requesting entity for this type of transaction, prepares and approves an Inter-Entity Work Order (IEWO) (Attachment 12-1, Sample Inter-Entity Work Order). The DOE federal entity, the performing entity for this type of transaction, accepts the proposed inter-entity work by signing the IEWO.

(3) **Funding.** The DOE integrated contractor must record the authorization and attach the signed IEWO in DOE-PAC. Funds remain obligated on the contract of the integrated contractor. The DOE federal entity may incur costs after the integrated contractor attaches and inputs the IEWO in DOE-PAC.

(4) **Accounting, Billing, and Payment.**

i. 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.

ii. 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. The DOE integrated contractor is responsible for reviewing the charges billed through DOE-PAC as appropriate.

iv. The DOE integrated contractor records the payment(s) in the contractor's financial management system.

d. INTER-CONTRACTOR PURCHASES BETWEEN DOE INTEGRATED CONTRACTORS

(1) **Scope and Purpose.** This section (section 2.d) provides the financial policy for inter-contractor purchases (ICPs) between DOE integrated contractors. The ICP process permits one DOE integrated contractor to request work from another DOE integrated contractor as needed to support authorized work.

(2) **Approvals and Performance.**

Approval of ICPs will be performed in accordance with applicable acquisition laws, regulations and policy including DOE directives. Nothing in the policy will be construed to supersede applicable acquisition laws, regulations, and policy.

Consistent with procurement requirements, Contracting Officers must approve the performance of ICPs. As appropriate to support the review and approval or disapproval of ICPs by the Contracting Officer, the Field CFO or equivalent shall provide appropriate financial documentation reflecting the funding to be made available to the performing contractor by the requesting contractor in the DOE-PAC system.

The Contracting Officer of the performing contractor must document and approve the scope of work to be performed. Documentation of the approval of the scope of work by the Contracting Officer of the performing contractor must be uploaded into the DOE-PAC system or retained by the Contracting Officer. Guidance for Contracting Officers on the appropriate use of ICPs is contained in chapter 70.10 of the *Department of Energy Acquisition Guide*, or successor procurement guidance document.

(3) **Funding.** Funds remain obligated on the contract of the requesting integrated contractor. The inter-entity process permits the performing contractor to incur costs against funds obligated on the contract of the requesting integrated contractor. Approval of the performance of ICPs does not result in the obligation of additional federal funds on the contract of the performing

integrated contractor or a contractual obligation of the Federal Government. The performing contractor receives payments for work directly from the requesting contractor through the DOE-PAC system.

(4) **Accounting, Billing, and Payment.**

i. The performing DOE contractor accounts for costs, receivables, and collections in the contractor's financial management system. The performing DOE contractor initiates bills in DOE-PAC, and DOE-PAC automatically generates billings and e-mail notifications to the requesting contractor.

ii. The DOE performing contractor must retain supporting documentation. The documentation itself or instructions for retrieving the documentation must be attached to the relevant DOE-PAC records.

iii. The requesting DOE contractor is responsible for reviewing the charges billed through DOE-PAC and obtaining supporting documentation from the performing contractor as needed to support the costs billed.

e. DOE FEDERAL ENTITY WORK PERFORMED FOR ANOTHER DOE FEDERAL ENTITY

(1) **Scope and Purpose**. This section (section 2.e.) provides the financial policy for work performed by one DOE federal entity for another DOE federal entity, when both federal entities use the STARS accounting system. Work performed must be consistent with the purpose of the funding provided by the requesting federal entity. The financial processes described in the policy permit the performing federal entity to access funds obligated by the requesting federal entity. When both the authorizing and performing entities use STARS, the performing entity is able to incur costs directly against obligated funds, and there is no transfer of funds between appropriation accounts.

(2) **Approvals and Performance.** The requesting DOE federal entity uses the **Inter-Entity Work Order** (IEWO) form (Attachment 12-1) to record its authorization. The individual approving the form must have authority to approve the expenditure of funds for the authorizing DOE federal entity.

(3) **Funding.** Funds remain obligated at the federal entity requesting the work.

(4) **Accounting, Billing, and Payment.**

i. An obligation is recorded for funds available to the authorizing DOE federal entity.

ii. The performing DOE federal entity incurs costs against the funds obligated by the authorizing DOE federal entity.

iii. The OCFO Office of Finance and Accounting records the related transactions in STARS on behalf of the performing and requesting DOE federal entities.

iv. The performing DOE federal entity is responsible for making documentation available to the authorizing DOE federal entity in sufficient detail to support costs incurred.

v. The requesting DOE federal entity is responsible for reviewing the costs incurred by the performing DOE federal entity and reviewing documentation as appropriate.

f. SUBCONTRACT WORK PERFORMED BY A FFRDC FOR A DOE NON-INTEGRATED CONTRACTOR

(1) **Scope and Purpose.** This section provides the financial policy for work requested by a DOE non-integrated contractor to support performance of a DOE contract, and performed by a DOE contractor operating as an FFRDC.

48 CFR 970.3501-2, *Using a FFRDC*, states that a FFRDC contractor may only accept work from a nonsponsor in accordance with the requirements of DOE Order 481.1E, *Strategic Partnership Projects* (SPP), or successor version. Work requested by a DOE non-integrated contractor in performance of a DOE contract is not considered SPP work, but provides for use of the SPP procurement and financial processes to perform this work.

(2) **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 work with its cognizant DOE federal contracting officer on appropriate tailoring.

(3) **Funding.**

i. The DOE program office responsible for oversight of the FFRDC must obtain sufficient reimbursable authority through an allotment.

ii. The non-integrated contractor must advance funds to the FFRDC in accordance with the agreement and the requirements for non-federal work in the Financial Management Handbook Chapter 13, *Reimbursable Work*, Section 2.e.(2), or successor policy. Funding

cannot be obligated on the FFRDC's contract until advances are provided.

(4) **Accounting, Billing and Payment.** The contractor operating the FFRDC accounts for costs in the contractor's financial system.

(5) **Special Pricing Considerations.**

i. The DOE Federal Administrative Charge (FAC) should not be applied to this work because FAC is only applied to non-DOE work.

ii. Safeguard and security costs will not normally be applied to this work consistent with the current DOE safeguards and security budget.

Attachment 12-1 Sample Inter-Entity Work Order Rev. 09/10

1. Work Order Number: Amendment Number:	2. Month/Year to be Recorded: **Note:** *Only for use in inter-entity work in accordance with Financial Management Handbook Chapter 12.*
Authorizing Work Section	
3. Requesting Contractor or DOE Federal Entity:	
4. Requesting Contractor or DOE Federal Entity OPI Code:	
5. Contractor or Federal Official POC: Telephone Number: Email:	
6. Funds Availability Authorization Signature: Date:	
7. Requesting Contracting Officer Signature: Date:	
8. Scope of Work (attach additional documentation if needed):	
9. Period of Performance:	
10. Billing and Budgetary Information: Address: Billing POC: STARS Accounting Flex Field (AFF): Total Amount Certified Available: Time Limitation of Funds:	
Performing Work Section	
11. Performing Contractor or DOE Federal Entity:	
12. Performing Contractor or DOE Federal Entity OPI Code:	
13. Contractor or Federal Official POC: Telephone Number: Email:	
14. Billing POC and Procedures for Documentation of Costs:	
15. Funds Availability Authorization Signature: Date:	
16. Performing Contracting Officer Signature (when work is performed by a contractor): Date:	

INSTRUCTIONS FOR COMPLETING INTER-ENTITY WORK ORDER (IEWO)

1. Work Order Number/Amendment Number: Assigned by the requesting contractor or DOE Federal entity (Requesting DOE Entity). Amendment numbers are sequentially assigned.

2. Month/Year to be recorded: Requesting contractor or DOE federal entity identifies the month and year this transaction is expected to be recorded. This may require updating by the performing office if date changes.

3. Requesting Contractor or DOE Federal Entity: Name of the authorizing contractor or DOE office.

4. Requesting Contractor or DOE Federal Entity OPI Code: Other Party Identifier of the authorizing contractor or DOE office.

5. Contractor or Federal Entity Point of Contact/Telephone/Email: Name, telephone number and email of the authorizer's cognizant contracting officer or federal Point of Contact.

6. Funds Availability Authorization – DOE Federal Official's Signature/Date: Signed and dated by the official designated as the funds certifier in Strategic Integrated Procurement Enterprise System (STRIPES) regardless of amount of the IEWO.

7. Requesting Contracting Officer and/or Other Federal Official Signature: Signed and dated by the contracting officer with cognizance over the requesting contractor or DOE federal office and/or federal Official authorized by the DOE federal entity authorizing the work. If for contractor-to-contractor inter-entity work, coordinate with local contracting officer to verify applicable procurement statutes, regulations and guidance are met.

8. Scope of Work: Describe scope of work to be performed. This includes information required by the performing contractor, including a brief description of the work, terms and conditions. If a Memorandum Purchase Order (MPO) is attached as support, reference the attached MPO.

9. Period of Performance: Period of performance for the work order.

10. Billing and Budgetary Information: Enter relevant billing information (e.g., billing address, Point of Contact, etc.) and budgetary information (e.g., AFF, fund type, etc.). The budgetary information should clearly indicate any time limited funding requirements.

11. Performing Contractor or DOE Federal Entity: Name of the performing contractor or DOE federal Entity (Approving DOE Entity).

12. Performing Contractor or DOE Federal Entity OPI Code: Other Party Identifier of the performing contractor ederal entity.

13. Contractor or DOE Federal Point of Contact/Telephone/Email: Name, telephone number and email address of the performers cognizant contracting officer or federal Point of Contact.

14. Billing POC and Procedures for Documentation of Costs: List the name and contact information of the billing point of contact for the performing organization and describe the performing organization's procedures for documenting costs incurred and way information will be provided to the authorizing office.

15. Performing Funds Availability Authorization Official's Signature/Date: Signed and dated by the performing office's official designated as the funds certifier in Strategic Integrated Procurement Enterprise System (STRIPES) regardless of amount of the IEWO.

16. Performing Contracting Officer Signature: When applicable, signed and dated by the contracting officer with cognizance over the performing contractor. If for contractor-to-contractor inter-entity work, coordinate with local contracting officer to verify applicable procurement statutes, regulations and guidance are met.

Attachment 12-2

OVERVIEW OF INTER-ENTITY ROLES

Section	IEWO	Requesting DOE Entity	Performing DOE Entity	Mechanism
2.b.	N	DOE Federal Entity	Integrated Contractor	DOE O 412.1A, FDS
2.c.	Y	Integrated Contractor	DOE Federal Entity	IEWO in DOE-PAC
2.d	N	Integrated Contractor (ICP)	Integrated Contractor (ICP)	ICP in DOE-PAC
2.e	Y*	DOE Federal Entity	DOE Federal Entity	IEWO only (*no DOE-PAC)
2.f	N	Non-Sponsor	FFRDC	SPP process (*no DOE-PAC)

CHAPTER 13.1

REIMBURSABLE WORK

1. INTRODUCTION

a. PURPOSE AND SCOPE

This chapter (Chapter 13.1) provides the financial policies and procedures for reimbursable work, specifically:

(1) Reimbursable Work Financial Transactions (Section 2 of the policy)

(2) Reimbursable Work for Federal Customers (Section 3 of the policy)

(3) Reimbursable Work for Non-Federal Customers (Section 4 of the policy)

(4) Emergency Reimbursable Work (Section 5 of the policy)

(5) Agreements for Commercializing Technology (Section 6 of the policy)

(6) Reimbursable Personnel Details (Section 7 of the policy)

The Department of Energy (DOE) performs reimbursable work that is funded by other Federal and non-Federal entities. The execution, acceptance, or modification of a reimbursable work agreement shall be consistent with Departmental Orders pertaining to reimbursable work and relevant procurement policies and DOE financial policy specified in this chapter (Chapter 13.1).

b. EXCLUSIONS

This chapter (Chapter 13.1) does <u>not</u>:

(1) Provide policy for work performed by other entities, including Federal entities, and reimbursed by DOE (i.e., any work in which DOE is the customer).

(2) Provide policy for transactions between DOE entities, including DOE site/facility management contractors where Chapter 12, "Inter-Entity Work Between DOE Organizations," applies.

(3) Supersede provisions of Departmental Orders pertaining to reimbursable work performed by DOE, including DOE Order 481.1E, *Strategic Partnership Projects [Formerly Known as Work for Others (Non-Department of Energy Funded Work)]*; DOE Order 484.1, *Reimbursable Work for the Department of Homeland Security*; and DOE Order 483.1B, *DOE Cooperative Research and Development Agreements.*

(4) 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).

(5) Establish policy for pricing reimbursable work. The pricing policy for reimbursable work is specified in DOE Order 522.1A, *Pricing of Departmental Materials and Services.*

(6) Establish policy or requirements for receivables relating to reimbursable work. Financial policy relating to receivables is contained in Chapter 8 of the DOE Financial Management Handbook.

c. APPLICABILITY

(1) Departmental elements performing reimbursable work, including NNSA and the Power Marketing Administrations.

(2) Site/facility management contractors that perform reimbursable work for non-DOE entities, as specified.

d. DEFINITIONS

(1) **Acceptance.** The official signing of a reimbursable agreement by a cognizant DOE/NNSA Contracting Officer or a Federal official with delegated authority to commit DOE/NNSA and/or their contractors to perform reimbursable work.

(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.

(3) **Budgetary Resources.** For Federal customers, the reimbursable agreement provides the budgetary resource. For non-Federal customers, the reimbursable agreement and the advance payment(s) received for unfilled orders provide the budgetary resource.

(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 5 of the chapter provides specific on policies for conducting emergency work.

(5) **Funding**. A term used throughout the chapter to describe the level of budgetary resources required from Federal and non-Federal customers.

(6) **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:

(a) **Interagency Agreement**. A written agreement entered into by DOE and another Federal agency to furnish goods or accomplish a specific task in support of the other agency's mission. The interagency agreement will provide funding, billing, and payment data in support of the reimbursable work, and specify the period of

performance and the work to be performed. Interagency Agreements shall be executed using Treasury form 7600 or equivalent.

The Treasury Form 7600 includes two parts—The General Terms and Conditions (GT&C) (e.g., Part A, 7600A, or GT&C) and an Order Requirements and Funding Information (e.g., Part B, 7600B, Order, DD448 MIPR). Strategy Partnership Projects with accompanying Interagency Agreements with other Federal entities to perform work are executed under the provisions of DOE Order 481.1E, Strategic Partnership Projects, or a successor policy.

(b) **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 481.1E, *Strategic Partnership Projects*, or a successor policy.

(c) **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.

(d) **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 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 Paragraphs: 2.c; 2.e -2.f; excluding direct references to DOE O 481.1E.

(e) **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 U.S.C. 3701 et seq.). Additional DOE policy for CRADAs is specified in DOE Order 483.1B, *DOE Cooperative Research and Development Agreements,* or a successor policy.

(f) **Homeland Security Agreement.** An agreement for reimbursable work conforming to the requirements specified in DOE Order 484.1, *Reimbursable Work for Department of Homeland Security*, or a successor policy.

(7) **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 Office of Management and Budget (OMB) and a subsequent allotment from the DOE Chief Financial Officer (CFO) consistent with current Administrative Control of Funds policy contained in Chapter 2 of the Financial Management Handbook.

(8) **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 ordering Federal customer, 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.

2. REIMBURSABLE WORK FINANCIAL TRANSACTIONS

a. EXECUTION AND CONTROL OF REIMBURSABLE WORK

Departmental Elements shall use the following guidelines to ensure that reimbursable work is accomplished in accordance with established laws, regulations, and provisions of the respective reimbursable agreement(s):

(1) **Financial Provisions for Acceptance of Reimbursable Agreements.**

(a) DOE must obtain reimbursable authority in advance of performing reimbursable work. Reimbursable authority is obtained through an apportionment from the OMB. Consistent with the provisions of DOE Order 130.1A (*Budget Planning, Formulation, Execution, and Departmental Performance Management)* or a successor

policy, allotments of reimbursable authority are provided to the cognizant Designated Financial Officer (DFO) by the CFO.

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 is contained in Section 3.b.2 of this policy.

(b) Expenditures for a project shall not exceed the limits established by the reimbursable agreement. Funding provisions specified in the reimbursable agreement determine the administrative funds controls that must be followed. Specifically, each reimbursable agreement accepted by DOE shall be managed and accounted for in accordance with the funding limitations and other provisions of the agreement.

(c) All documents authorizing the performance of tasks that include reimbursable work shall clearly identify reimbursable funding. Furthermore, the DOE element performing the work shall identify and maintain file documents pertaining to the reimbursable work agreement, consistent with applicable document retention requirements. Please see DOE Order 243.1B, *Records Management Program*, or a successor policy for requirements regarding retention requirements.

(d) Reimbursable agreements with Federal entities are subject to the provisions of 31 U.S.C. 1501, *Documentary Evidence Requirements for Government Obligations and Procurement Guidance*. Reimbursable or other type of work agreements must provide a specific statement of work to represent a valid obligation.

(e) The reimbursable agreement shall specify that the customer is responsible and accountable for any financial consequences associated with the termination of work.

(f) Departmental elements accepting reimbursable and other type of work agreements shall establish cutoff dates prior to the end of the fiscal year to provide ample time to review, accept, obligate, distribute, and record reimbursable and other type of work agreements.

(2) **Obligational Authority for Reimbursable Work.**

(a) An obligation may be recorded for a reimbursable agreement when DOE receives a budgetary resource as defined in 1.d.(3) and sufficient reimbursable authority is available within the allotment.

(b) The DFO, or their designee, shall certify obligational authority for reimbursable agreements, consistent with local procedures.

(3) **Restrictions on the Use of Funds**. 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 from its appropriations. Additionally, DOE shall not finance reimbursable work from another customer's fund.

Funds provided under reimbursable agreements are to be used solely for the purpose specified in the reimbursable agreement.

(4) **Control of Funds for Reimbursable Work.**

(a) 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.

(b) Obligations, costs, and expenditures for each reimbursable agreement shall not exceed the amount specified in the reimbursable agreement.

(c) Contractors shall not begin any reimbursable work for non-DOE customers until they have obtained authorization from the responsible DOE Contracting Officer.

(d) No costs shall be incurred for performance of reimbursable work beyond the period of performance specified in the reimbursable agreement.

b. RECORDING

(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.

(a) Source Document for Unfilled Customer Orders. The source for recording unfilled orders is the reimbursable work agreement, along with evidence that the reimbursable agreement was accepted in accordance with established DOE policies.

(b) 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.

(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.

(3) **Work Performed by Contractors**. 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.

(4) **Reimbursements.**

(a) With the exception of the Federal Administrative Charge (FAC), reimbursements shall be recorded in the appropriation and fund type in which the costs were recorded.

(b) The portion of the reimbursement that represents the FAC shall be deposited into the Departmental Administration appropriation special receipt account. DOE Order 522.1A, *Pricing of Departmental Materials and Services,* provides policy for the application of the FAC to reimbursable work.

(c) 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.

(5) **Billing.**

(a) 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.

(b) 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 at the major element level.

(c) For foreign sponsors making payments in foreign currencies, the DFO shall consult with the CFO on the transfer of funds on a project-by-project basis. The Department shall use the Federal Reserve Bank of New York to process the collection.

c. CLOSEOUT OF REIMBURSABLE AGREEMENTS

The process of closing out reimbursable work agreement will commence upon completion of the work or when the period of performance specified in the reimbursable work agreement ends, whichever comes first.

At closeout, the performing office or contractor shall notify the customer and provide an estimate of the costs incurred. When the final costs are known, the performing office or contractor shall provide a final invoice and, if applicable, return unused funds to the customer.

3. REIMBURSABLE WORK FOR FEDERAL CUSTOMERS

a. AUTHORITIES

(1) DOE Authority to Perform Reimbursable Work

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 C.F.R. 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).

DOE has numerous specific legal authorities to perform reimbursable work for other Federal entities (see Appendix to this chapter for identified applicable authorities), and most DOE reimbursable work is performed under these more specific 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.

(2) Application Guidance

(a) Acceptance of Agreements

Funds in reimbursable agreements are typically initiated by the ordering Federal agency. Frequently, the agreements and orders initiated by other Federal agencies cite the Economy Act, consistent with the procedures of the ordering 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 ordering 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 used on the applicable parts of the interagency agreement form, Treasury Form 7600 parts A and B.

Part A, Box for "Additional Agency Information": *(Federal site) manages the (laboratory) 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.*

Part B, Box for "Comments": *DOE/NNSA's authority to obligate funding and perform reimbursable work, as noted in the contract, is the **Atomic Energy Act** of 1946 as amended (42 U.S.C. 2011 et seq) [or other specific authority]. Funding will be obligated and performed under the terms of the DOE/NNSA contract in accordance with the Department of Energy Acquisition Regulation (DEAR).*

(b) Implementation of Orders Citing Multiple Authorities

Consistent with the legal principles discussed in Section 3.a.(1) of this policy, the most specific authority will apply to each interagency agreement. But as noted in Section 3.a.(2) of this policy, agreements accepted by DOE may list multiple authorities if the ordering 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 ordering agency may take actions consistent with the authority cited by the ordering 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 ordering agency on the execution of the agreement to ensure that the funds are not de-obligated by the ordering agency.

b. BUDGETARY AND FINANCIAL REQUIREMENTS

(1) **General.** The reimbursable work that DOE provides for a customer is part of the customer's mission and not DOE's direct mission. The Department does not receive appropriated funds for such work or services; instead, they are financed by the funds of the Federal agency ordering the work.

(2) **Reimbursable Authority.**

(a) General Requirement. DOE must obtain reimbursable authority in advance of performing reimbursable work through an apportionment. The type of apportionment requested may vary depending on the authority governing the anticipated reimbursable work agreements, as described in this section and the annual guidance provided by the CFO Office of Budget.

(b) Reimbursable Authority for Economy Act Transactions. OMB Circular A-11, Section 130 provides specific requirements for the apportionment of reimbursable authority performed under the provisions of the Economy Act. For work DOE performs under the authority of the Economy Act, A-11 generally requires apportionments to be provided in a Treasury Appropriation Funds Symbol (TAFS) that does not exceed the period of availability of the funds provided by the ordering agency. Depending on the ending period of availability of the ordering agency's TAFS, DOE may need to establish a separate TAFS for reimbursable work for Economy Act transactions. Offices should follow annual guidance provided by the CFO Office of Budget when requesting reimbursable authority for Economy Act transactions.

While a time-limited TAFS for reimbursable work may be established with a zero-fund balance, outlays may be made from these accounts if the outlays are supported by a receivable from another Federal agency associated with a reimbursable agreement. While this may result in a temporary negative fund balance with Treasury due to timing differences, this temporary negative balance would not cause an over-expenditure or over-obligation of funds at the Federal entity level.

(c) Reimbursable Authority for non-Economy Act transactions. OMB Circular A-11 does not provide specific requirements for the apportionment of reimbursable authority performed under non-Economy Act authorities. Offices should follow the annual guidance provided by the CFO Office of Budget when requesting reimbursable authority for non-Economy Act transactions.

(d) Reimbursable Authority for transactions under the Foreign Assistance Act (FAA). 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 should follow OMB's interim guidance on reimbursable authority for FAA transactions (available on the CFO Financial Policy iPortal page) until section 130 of OMB Circular A-11 is updated to provide specific guidance relating to FAA transactions.

(3) **National Institutes of Health (NIH) Grant Funding.** In accordance with the terms of the Department's 1998 MOU 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.

(4) **Construction.** Agencies requesting that DOE perform construction activities are responsible for ensuring that the construction activity is consistent with the purpose of the requesting agency's funds. Other Federal agencies cannot utilize DOE's minor construction authority, which applies only to DOE appropriations.

(5) ***Bona Fide* Need and Severability Determinations.** The ordering agency is responsible for making a determination on 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 ordering agency's appropriation. This includes a determination by the ordering agency of whether the requested work is severable or non-severable as required.

(6) **Cancellation of Ordering Agency Funds.** Generally, Federal appropriated funds are cancelled and unavailable for expenditures five years after the period of availability for incurring obligations, per 31 U.S.C. 1552 and 31 U.S.C. 1553a.

It is the responsibility of the ordering 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. DOE contractors and officials are responsible for executing the reimbursable agreement consistent with the period of performance defined in the agreement. The period of performance defined in the agreement is consistent with the time limitations and authority of the requesting agency's funds, as determined by the requesting agency.

When an agency's funds are cancelled, they may no longer be cited as a funding source. For any amounts owed and unpaid when the original funds are cancelled, the ordering agency shall be requested to 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. The canceled funds must be de-obligated.

(7) **Monitoring Execution of Reimbursable Work Agreements.** 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 ordering agency to be consistent with the ordering agency's funds availability, including the *bona fide* needs determination made by the ordering agency.

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 ordering agency prior to approving DOE's performance of the reimbursable work agreement.

(8) **Financing Work for Other Federal Agencies.**

(a) Budgetary Resource. A valid reimbursable agreement constitutes the budgetary resource. For work that requires an advance, the advance should be collected prior to recording the obligation for the reimbursable work agreement (see paragraph 3.b.(8)(b) below).

(b) 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 DFO should make the determination that an advance is necessary. When an advance is required, the obligation should not be recorded until the advance is provided. Any requirement for advance payments from other Federal agencies must be described in the reimbursable agreement, along with the authority that permits advance payments.

Advance payments are required as a matter of DOE policy for work performed under the authority of the FAA of 1961 as amended.

(c) Amount of Required Funding. The ordering agency is responsible for making a *bona fide* need determination for the provided funding, including considerations of severability of the requested work. However, when possible, DOE should request 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.

(9) **De-obligation 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 ordering agency. Funds not obligated by DOE prior to the expiration of the period of availability must be de-obligated by the ordering agency.

DOE shall provide timely notification to the ordering agency regarding the amount of funds to be de-obligated.

4. REIMBURSABLE WORK FOR NON-FEDERAL CUSTOMERS

a. AUTHORITIES

Authorities for DOE to perform reimbursable work for non-Federal customers are listed in the appendix.

Funds-in CRADAs are subject to the same financial requirements as other non-Federal reimbursable work.

b. BUDGETARY AND FINANCIAL REQUIREMENTS

(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 Paragraph 4.b.(6). 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.

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.

(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 130.1A, 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.

(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.

(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 60 days or less. Advance payment collections are to be processed in accordance with cash collection requirements as prescribed in Chapter 6 of DOE's Financial Management Handbook.

(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:

(a) DOE shall obtain, prior to performing any work, reimbursable authority and a budgetary resource (advance payments, with exceptions noted in Paragraph 4.b.(6)) 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.

(b) 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.

(c) DFOs may require additional advance payment amounts to account for estimated termination costs or other costs as appropriate for individual agreements.

(6) **Exceptions to the Requirement for Advances from Non-Federal Customers**:

(a) 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 (a) certify that billing and payment procedures are adequate to allow for a shorter advance requirement without costs exceeding available budgetary resources and (b) provide the HQ CFO with a 10 business day advance notification, using the templates included as Attachments 13.1-1 and 13-2 to this chapter.

All exceptions granted by DFOs shall be reviewed annually and recertified as applicable. DFOs shall notify the HQ CFO Office of Financial Policy and Audit Resolution (CF-20) of recertification decisions no later than November 1st of each new fiscal year.

(b) The contractor performing reimbursable work for DOE may choose to provide DOE with corporate funds to meet the customer's advance payment requirements.

(c) When permitted by specific law. This covers reimbursable work deliveries without advance payment as directed by specific laws or executive orders. An example is the detail of employees to states and political subdivisions according to 5 U.S.C. 3373 and the detail of employees to international organizations according to 5 U.S.C. 3343.

(d) If a State or local government has a statute or another legal requirement prohibiting advancing funds for reimbursable work, the Cost of Work for Others Program under the Departmental Administration appropriation may be used 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 for Others Program. The availability of the Cost of Work for Others funds is dependent upon the request, OMB apportionment, and DOE allotment.

(e) With work funded by Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards described under 4.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.

(f) If the contract so provides, or if the Contracting Officer authorizes, 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 from the contractor's corporate funds. All the following conditions must be met for such arrangements: (1) the sponsor provides assurance of funding within a specific time; (2) 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 (3) the contractor retroactively charges the costs of such work to the sponsor. The Contracting Officer shall document the file evidencing agreement to these conditions.

c. Specific Requirements for Work Funded through Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) Awards

(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 U.S.C. 638), *Advance Payment*)

(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:

(a) Identify sponsors who are paying for work performed with SBIR or STTR awards made by any Federal agency;

(b) 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

(c) Ensure that no DOE funds are used to pay for third party work performed at the labs (except for the Cost of Work for Others funding as described below).

(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.

(4) **Use of the Cost of Work for Others Funding.** Available funds under the Cost of Work for Others program under the Departmental Administration appropriation may be used for work funded by SBIR and STTR grants.

5. EMERGENCY REIMBURSABLE WORK

a. OVERVIEW

This section provides guidance on procedures and authorities that may be used for performance of reimbursable work under emergency circumstances.

b. AUTHORITY

(1) National Emergencies declared by the President consistent with the provisions of 50 USC 1431. 50 U.S.C. 1431-1435 grants to 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.

(2) 42 U.S.C. 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.

(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.

c. BUDGETARY AND FINANCING REQUIREMENTS

(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 statute to coordinate the Federal government's disaster relief efforts (42 U.S.C. 5170). Like other work performed for Federal sponsors, no advance payment is required for work performed for FEMA.

(2) **Emergency Work Performed for Non-Federal Entities**. Available budget authority under the Cost of Work for Others 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 for Others Program must be documented in writing by the DFO.

(3) **Emergency Work Conducted under DOE Reprogramming Authority**. This process will be used when no other authority is provided for emergency reimbursable work.

(a) 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 must initiate the request to allow the use of DOE funds to support the emergency work.

(b) 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.

(c) 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.

6. AGREEMENTS FOR COMMERCIALIZING TECHNOLOGY

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 U.S.C. 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.

b. COSTS

(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 pre-funded by the contractor according to the procedures set out in this chapter.

(a) 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.

(b) 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, Site, or Plant-directed research and development (LDRD, SDRD, or PDRD). When allocating site indirect costs to ACT projects, all ACT costs, (including those uniquely associated with ACT projects) must be included in the allocation base for indirect cost pools in accordance with disclosed cost accounting practices.

(c) 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.

(d) Costs not Payable Under the DOE Contract

1 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.

2 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 pre-funded by the contractor).

c. REIMBURSABLE BUDGETARY RESOURCES AND OBLIGATIONAL AUTHORITY

(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.

(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.

(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.

(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 in Attachment 13-2 of this chapter. All waivers granted by cognizant DFOs shall be reviewed annually and recertified as applicable. DFOs shall notify the HQ CFO Office of Financial Policy and Audit Resolution of recertification decisions no later than November 1st of each new fiscal year.

d. ACCOUNTING FOR ACT OBLIGATIONS, COSTS, AND PAYMENTS

Given the nature of ACT agreements - that is that they are agreements 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 needed to maintain these controls.

(1) 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.

(2) 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 WFO code designated for each contractor, as determined by the CFO 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.

(3) 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.

(4) **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.

7. REIMBURSABLE PERSONNEL DETAILS

a. AUTHORITIES

(1) Title 31, U.S.C., section 1535 (the Economy Act), shall be cited when DOE Federal employees are detailed on temporary assignment to other Federal agencies.

(2) Title 5, U.S.C., sections 3371-3376 (Intergovernmental Personnel Act of 1970, as amended), provides for the assignment of personnel between Federal, State, local, and Indian tribal governments; institutions of higher education; and other approved and eligible organizations.

(3) Title 5, Code of Federal Regulations, part 334 (Temporary Assignment of Employees Between Federal Agencies and State, Local, and Indian Tribal Governments, Institutions of Higher Education, or Other Approved Eligible Organizations) establishes policies and procedures for the Intergovernmental Personnel Act (IPA) Program.

(4) 5 USC 3343 - Sec. 3343 establishes authorities for detailing employees to approved international organizations where it is determined to be in the national interest.

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 M 321.1-1*, Intergovernmental Personnel Act Assignments*. Overseas assignments shall conform with DOE O 313.1, *Management and Funding of the Department's Overseas Presence*:

Appendix: Identified DOE Reimbursable Work Authorities

Authority	Scope of Work	Type of Customer
Atomic Energy Act of 1954 42 U.S.C. 2053	"Research and development or training activities and studies" as implemented in DOE Order 481.1E, or successor policy.	Federal and Non-Federal Entities
Economy Act 31 U.S.C. 1535	Broad authority for agencies to place order 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 U.S.C. 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
Intergovernmental Personnel Act of 1970 5 U.S.C. 3371-3376	Assignment of Federal personnel to Universities, State and Local Governments, Nonprofit organizations, and Federally-Funded Research and Development Corporations (FFRDCs), as implemented by DOE Manual 321.1-1, or successor policy.	Universities, State and Local Governments, Nonprofit organizations, and Federally-Funded Research and Development Corporations (FFRDCs)
The Intergovernmental Cooperation Act of 1968 31 U.S.C. 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 U.S.C. 395	Applies only to the Western Area Power Administration	Non-Federal Entities

Authority	Scope of Work	Type of Customer
Foreign Assistance Act of 1961 22 U.S.C. 2357	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 U.S.C. 189	Work performed by DOE "national laboratories and sites" for the Department of Homeland Security, as implemented by DOE Order 484.1, or a successor policy.	Department of Homeland Security
Contributed Funds Agreements for Government-operated facilities 42 U.S.C. 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 U.S.C. 3710	Authority applicable to Cooperative Research and Development Agreements (CRADAs), as implemented by DOE Order 483.1B, or a successor policy.	Non-Federal Entities

Attachment 13.1-1

Notification of Waiver of Normal Advance Payment Requirements for an Individual Customer or Project

DOE Organization/Site Office: _____

Site/Facility Operating Contractor: _____

Customer Name: _____

Reimbursable Agreement/ CRADA Number	Total Value of Reimbursable Agreement/ CRADA	Approved Number of Advance Days	Advance Collected	*Prepayment Amount for First Billing Cycle	Estimated Closeout Costs Collected (If required)
	$		$	$	$

Please provide an attachment explaining the justification for this exemption from normal advance payment requirements that includes the following:

- A description of how the advance amount was calculated for this customer
- A description of the site/operating contractor's billing process for this customer
- A description of site/facility operating contractor's procedures to ensure that work on this project will be terminated before the advance funding is exhausted

_____

Designated Financial Officer Date

_____

Site Contracting Officer Date

*Prepayment Amount – funds needed to cover costs incurred for the first billing cycle. This includes costs from the inception of the project up to the time the first bill is prepared.

Attachment 13.1-2

Site & Facility Management Contractor

Notification of Blanket Waiver of Normal Advance Payment Requirements

DOE Organization/Site Office: _____

Site/Facility Operating Contractor: _____

Please provide an attachment that incorporates the following elements:

- The estimated number of projects to be included within the blanket waiver per year
- The estimated total dollar value of the projects included within the blanket waiver
- Available electronic records of reimbursable and CRADA agreements executed over the past year, including the value and advance amount collected for each agreement, if available.
- A listing of the agreement type(s) (e.g., reimbursable agreements, CRADAs, or both) included within the waiver
- A description of any exclusions from the waiver
- A description of the approved advance payment procedures to be utilized for non-Federal work performed by the site/operating contractor, including a description of the manner in which the advance payment is calculated
- A description of the site/operating contractor's billing process; please include a description of the timeline associated with the site/operating contractor's billing cycle
- A description of the contractor's procedures to ensure that work on individual projects within the waiver will be terminated before that project's advance funding is exhausted

_____
Designated Financial Officer Date

_____
Site Contracting Officer Date

_____
Field/Operating Contractor CFO Date

CHAPTER 13.2

COLLECTIONS

1. INTRODUCTION

a. PURPOSE AND SCOPE

This chapter provides requirements for collections made by the Department. This chapter excludes collections made for reimbursable work (see Chapter 13.1) and receivables and debt collection (see Chapter 8).

The chapter provides specific requirements for the following collection activities:

(1) Collection and Deposit Mechanisms (see Section 3);

(2) Refunds to the Department (see Section 4);

(3) Department Administration Collections (see Section 5);

(4) Administrative Offset for Amounts Due from DOE Contractors (see Section 6);

(5) Contractor Collections (see Section 7);

(6) Donations and Gifts (see Section 8);

(7) Proceeds of Personal Property Sales (see Section 9);

(8) Deposit Funds (see Section 10);

(9) Unclaimed Moneys Owed to the Public (see section 11);

(10) Repayments from Projects under the Clean Coal Technology (CCT) Program and Clean Coal Power Initiative (see Section 12);

(11) Collections for Proprietary Use of User Facilities (see Section 13);

(12) Nuclear Material Removal Program for Nuclear Nonproliferation (see Section 14); and,

(13) Laboratory Directed Research and Development for the National Energy Technology Laboratory (see Section 15).

b. APPLICABILITY

Unless noted by each individual section, this chapter applies to all Departmental Elements, including contractors.

Chapters 13.1 and 8 provides policy for collections and receivables relating to DOE reimbursable work that are processed by contractors.

2. GENERAL REQUIREMENTS

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 Department 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 U.S.C. 3302.

b. **COLLECTIONS DIRECTED BY STATUTE.** Statutory provisions may provide specific provisions relating to collections. When applicable, collections should be deposited consistent with statutory direction.

c. **OTHER COLLECTIONS**. Disposition of collections received by DOE that cannot be classified appropriately under the requirements of this chapter must be determined on a case-by-case basis in consultation with the Office of the Chief Financial Officer.

d. **ACCOUNTING CONSIDERATIONS.** When depositing collections, use the appropriate standard general ledger 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, Volume I, Part 2, Chapter 1500 (I TFM 2-1500) 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.

3. COLLECTION AND DEPOSIT MECHANISMS

A principal objective of control over collections is to verify collection of federal government receipts at the lowest cost. Detailed deposit requirements can be found in Treasury Financial Manual, Volume I, Part 5.

a. Funds are to be collected by Electronic Funds Transfer (EFT) consistent with current statutory authority. Treasury establishes several EFT collection mechanisms. Enrollment forms and additional details are available on the Treasury's Bureau of the Fiscal Service website.

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.

c. DOE entities will consider collection mechanisms in order of preference:

(1) Automated Clearing House (ACH)

(2) Fedwire (for deposits requiring same-day settlement)

(3) Debit and Credit Card (when cost effective)

(4) Lockbox

(5) Treasury's Over the Counter Channel Application (OTCnet)

(6) Treasury's General Account (TGA)

d. DOE entities will adhere to Treasury deposit requirements, including thresholds, to reduce processing float and to improve funds availability pursuant to I TFM Part 5, Chapter 2000, Section 2055. 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.

4. REFUNDS TO THE DEPARTMENT

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. Refunds received are deposited to the credit of the appropriation or fund account charged with the original obligations. Specific instructions for depositing refunds are provided in Office of Management and Budget (OMB) Circular A-11, Section 20.9.

When a refund cannot be clearly associated with one or more specific appropriation or fund accounts, the refund may be deposited as miscellaneous receipts.

5. DEPARTMENT ADMINISTRATION COLLECTIONS.

The annual appropriations for Department 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.

6. ADMINISTRATIVE OFFSET FOR AMOUNTS DUE FROM DOE CONTRACTORS

As defined by 31 U.S.C. 3701, 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.

7. CONTRACTOR COLLECTIONS. The guidance in this section applies to contractors that are (1) authorized to receive checks-paid letter(s) of credit financing (see Section 2.f of Chapter 6 of the *Financial Management Handbook*) and (2) receive collections relating to performance of the DOE contract.

Chapters 13.1 and 8 provides policy for collections and receivables relating to DOE reimbursable work that are processed by contractors.

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:

(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.

(2) Proceeds of personal property sales, if authorized by the contract (see Section 9).

(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.

(4) Rebates (such as commissions or rebates from travel agents, utilities, and the General Services Administration (GSA) for gasoline) shall be deposited to the DOE special financial institution account, subject to the following conditions:

(a) The rebate must be credited as a refund to the same account(s) initially charged with the payment.

(b) The rebate must be used to offset costs related to the same general purpose for which the initial payment(s) was made.

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 such as interest or penalties on delinquent receivables will be deposited into the appropriate Departmental Administration or General Fund miscellaneous receipt accounts. These include:

(1) Departmental Administration – 089 5228

(2) Interest. Account 089 1435, General Fund Proprietary Interest, Not Otherwise Classified.

(3) Administrative Charges and Penalties. Account 089 1099, Fines, Penalties, and Forfeitures Not Otherwise Classified.

8. DONATIONS AND GIFTS

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.

b. Authorities

(1) **ERDA Authority.** The Secretary of Energy is authorized to "accept, hold, administer, and utilize" donations and gifts under 42 U.S.C. 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).

(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 U.S.C. 7381b, "Laboratory Cooperative Science Centers and Other Authorized Educational Activities."

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 U.S.C. 7381b are approved, the Office of the General Counsel might not require further review of each individual donations 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 of Science per REDELEGATION ORDER NO. S4-DEL-SC1-2021.

d. Use of Donations, Gifts, and Bequests

(1) Donations and gifts received per Section 8.b.(1) [under the authority of 42 U.S.C. 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.

(2) Funds received per Section 8.b.(2) (under the authority of 42 U.S.C. 7381b) can only be used to finance the educational activities specified by the donor.

(3) Under 42 U.S.C. 5817(f) and 42 U.S.C. 7381b, only the Secretary can approve the subsequent use and expenditure of donated funds.

e. Execution and Control of Work

(1) The Department shall deposit monetary donations and gifts into Treasury Account Symbol 089 8576.

(2) Donations and gifts should be recorded at the estimated fair value of the contribution.

(3) Budgetary authority to obligate and expend donated funds must be provided by an allotment issued by the Office of the Chief Financial Officer.

9. PROCEEDS OF PERSONAL PROPERTY SALES

a. Disposal by the General Services Administration (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.

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":

(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

(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.

(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

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."

d. **Sale of Surplus DOE Personal Property by Contractors**. For contracts containing DEAR Clause 970.5245-1, proceeds from the 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.

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 relating to the Nuclear Waste Fund is provided in Chapter 19 of the *Financial Management Handbook*.

10. DEPOSIT FUNDS

Deposit fund accounts are a special account classification established for receipt and subsequent expenditure of money held on deposit and later returned to the 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 Treasury Financial Manual (I TFM 2-1535).

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 11 and the Treasury Financial Manual, Volume I, Part 6, Chapter 3000 (I TFM 6-3000) for guidance on proper disposition of unclaimed moneys held in deposit fund accounts.

b. **Reviews.** Deposit funds shall be analyzed each quarter to determine whether they are holding unclaimed moneys for rightful owners.

11. 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 Treasury Financial Manual 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

12. REPAYMENTS FROM PROJECTS UNDER THE CLEAN COAL TECHNOLOGY PROGRAM AND THE CLEAN COAL POWER INITIATIVE

a. **Background.** The Clean Coal Technology (CCT) Program was originally authorized by Public Law 98-473, "Joint Resolution Making Continuing Appropriations for Fiscal Year 1985 and for Other Purposes." The CCT Program became divided into five rounds of demonstration projects (CCT-I through CCT-V). Cost-shared projects for the various rounds were selected through competitive solicitations funded by a succession of Department of the Interior and related Agencies' Appropriations Acts. CCT was a precursor to the Clean Coal Power Initiative (CCPI). CCPI was originally authorized by Public Law 107-63. The CCPI Program became divided into three rounds of demonstration projects (CCPI-1 through CCPI-3). Only CCPI-1 and CCPI-2 had repayment provisions.

b. **Authority for DOE to Retain Moneys Received.** Each of the following Appropriations Acts for the Interior and related Agencies contains a provision under the caption "Administrative Provisions, Department of Energy," which creates an exception to the Miscellaneous Receipts Act (31 U.S.C. 3302) for the

Department to retain repayments received as a result of repayment provisions for the various CCT projects appropriated under them: Public Law 99-190, of December 19, 1985; Public Law 100-202, of December 22, 1987; Public Law 100-446 of September 27, 1988; and Public Law 101-121 of October 23, 1989. Repayments received as a result of CCT projects appropriated under the aforementioned Appropriations Acts may be retained and made available until expended on costs associated with appropriate cooperative agreements, with any remainder to go into the Treasury.

c. **Use of Moneys Received.** The "Administrative Provisions, Department of Energy," contained in the aforementioned Appropriations Acts, provide that the moneys received are to be expended only on "plant construction, operation, costs, and payments to cost sharing entities," as provided for in the appropriate cooperative agreements. Administrative costs associated with the CCT projects may be funded under the "necessary expense" doctrine of Appropriations Law. Moneys obtained from a project in one round may be used for costs related to a project in another round.

d. **Account for Deposit of Moneys Received.** Moneys received shall be deposited directly to the Clean Coal Technology Appropriations Account (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.

e. **Availability for Reapportionment and Reallotment.** Moneys received are available for reapportionment by the Office of Management and Budget and subsequently for reallotment to the CCT/CCPI Program in the next fiscal year after receipt.

f. **Obligations of Moneys Received**. 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.

13. 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 of the *Financial Management Handbook*.

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 U.S.C. 7259(b).

14. NUCLEAR MATERIAL REMOVAL PROGRAM FOR NUCLEAR NONPROLIFERATION

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.

b. Authority

Authorities include 50 U.S.C. 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.

c. Financing

High-income countries are required to pay the established fee associated with managing, storing, and disposing the material. As specified in the Fee Record of Decision included in 61 FR 26507, 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.

d. Funds Contributed by Foreign Countries

(1) Retention and use of amounts. Notwithstanding Section 3302 of Title 31, 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.

(2) The use of funds contributed by foreign countries for the program include activities cited under 50 U.S.C. 2569(c).

(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.

(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, 2023, as specified in 50 U.S.C. 2569. 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.

15. 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.

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 I TFM 6-3000, "Unclaimed Monies"
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
Sale of Personal Property - scrap metal, vehicles, or equipment	Varies	See GSA Federal Management Regulation 102-39.80, "Miscellaneous Receipts - Exceptions Proceeds on Personal Property Sales"

CHAPTER 14
FINANCIAL ASSISTANCE AND TECHNOLOGY INVESTMENT AGREEMENTS

Table of Contents

I. INTRODUCTION 2
I.A. Purpose and Scope 2
I.B. Applicability 2
I.C. Policy 2
I.D. Definitions 2
II. ACCOUNTING REQUIREMENTS 3
II.A. Recording Obligations 3
II.B. Deobligations 4
II.C. Accounting For Costs Incurred 4
II.D. Reconciliations And Year-End Processes 5
II.E. Accounting for Government-owned Property 6
III. PAYMENTS AND CASH MANAGEMENT 6
III.A. Timing of Payments 6
III.B. Payment Methods 9
III.C. Cash Management for Recipients Receiving Advance Payments 10
III.D. Program Income 11
III.E. Earned Interest 11
III.F. Refunds 12
III.G. Adjustments 12
IV. CLOSEOUT 13
IV.A. General Requirements 13
IV.B. Required Reporting of Expired Financial Assistance Awards 13

I. INTRODUCTION

Grants and cooperative agreements (awards) are financial assistance instruments, rather than acquisition instruments, used by the Department of Energy (DOE) to transfer money or property to a recipient to accomplish a public purpose authorized by Federal statute. Technology Investment Agreements are awards made under DOE's other transaction authority.

I.A. Purpose and Scope

This chapter provides requirements for the accounting and financial management of 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; and regulations for DOE Technology Assistance Agreements codified at 10 CFR 603.

This chapter does not address accounting for direct loans and loan guarantees managed by the DOE Loan Program Office, 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

DOE will account for and administer its awards in accordance with applicable statutory authority, applicable regulations including the Uniform Guidance, Department of the Treasury (Treasury) guidelines, and DOE policies and regulations governing such awards. References to specific external requirements are cited when applicable in the chapter.

I.D. Definitions

I.D.1 **Financial Assistance Agreements**
As used in this chapter, Financial Assistance Agreements include grants and cooperative agreements.

I.D.2. **Grant Agreement**
This chapter utilizes the definition contained in 2 CFR 200.1.

I.D.3. **Cooperative Agreement**
This chapter utilizes the definition contained in 2 CFR 200.1.

I.D.4. **Technology Investment Agreement (TIA)**
This chapter utilizes the definition contained in 10 CFR 603. Technology Investment Agreements are awards made under DOE's other transaction authority, as cited in 10 CFR 603.

I.D.5. **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.

I.D.6. **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."

I.D.7. **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.

II. ACCOUNTING REQUIREMENTS

II.A. Recording Obligations

Award obligations are incurred at the time a Contracting Officer (CO) 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 is executed in the Department's procurement system (the Strategic Integrated Procurement Enterprise System [STRIPES]), the obligation is reflected directly in the Department's accounting system (the Standard Accounting and Reporting System [STARS]) through a direct interface between the two systems.

The Designated Financial Officer must ensure that obligations are recorded in STARS for any award not processed through STRIPES.

Prior to approval of the award and obligation of the funds, the CO must have certified funds that have been made available through issuance of a requisition in STRIPES. Funds are considered certified when the

requisition document is approved by a program review official and a designated budget approver in STRIPES, which results in a commitment of funds in the STARS accounting system.[1]

II.B. Deobligations

Once funds have been obligated for an award, a modification or an amended award document signed by a CO is required to de-obligate funds. Deobligations must be recorded whenever the CO reduces the award amount or removes funding from an award.

When the award was issued through STRIPES, the reductions or withdrawals of funding from existing financial assistance agreements are processed through STRIPES, which records the resultant deobligation in STARS. Deobligation actions approved by the CO and processed through STRIPES are initiated through a deobligation requisition approved by the designated budget approver and the program review official.

Deobligations must be recorded in STARS for any funding reduction or withdrawal when an award is not processed through STRIPES.

Funding shall be reduced or removed from awards and deobligated in the following circumstances:

II.B.1. When funds are removed from an award by the CO, consistent with the award provisions, including when appropriate as a remedy for non-compliance, consistent with provisions of 2 CFR 200.339 and Chapter 6.2.3 of the *DOE Guide to Financial Assistance*;

II.B.2. When the period of performance has ended, and remaining funds are deobligated as part of closing the award;

II.B.3. When the appropriation has been cancelled and is no longer available to make payments under current obligations (see Chapter 5 of the *DOE Financial Management Handbook*); or

II.B.4. In other circumstances deemed appropriate by the CO in accordance with DOE policy.

II.C. Accounting For Costs Incurred

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.C.1. **Financial Reporting to DOE By Award Recipients**
The recipient's financial management systems are required to provide for accurate, current, and complete disclosure of the financial results of each DOE-sponsored project or program in accordance with financial reporting requirements of the award and 2 CFR 200.302.

Recipients must provide financial reports as specified by the award terms and 2 CFR 200.328.

II.C.2. **Costs Incurred and Accruals**
All awards are subject to the same accrual procedures as other procurement awards. Accruals shall be consistent with the requirements of the Federal Accounting Standards Advisory Board (FASAB) *Federal Financial Accounting Technical Release 12: Accrual Estimates for Grants Programs*.

Designated Financial Officers shall ensure the recording of cost accruals for awards and the review of automated accruals for awards with uncosted balances in excess of $1 million are in accordance with the procedures set out in the Department's Cost Accrual Guide (provided by the CFO Office of Finance and Accounting).

Additional information on costs accrued but not paid can be found in Chapter 11 of the *DOE Financial Management Handbook*, "Liabilities."

II.C.2.i. **Awards Paid Through Treasury's Automated Standard Application for Payments (ASAP) System**
Costs for awards paid through ASAP are automatically recorded as costs as they are paid. (See section III.C. of this policy for a discussion of payment systems). Accruals are also recorded for these awards in accordance with the Cost Accrual Guide. Because ASAP payments may not reflect actual costs incurred for some awards, (i.e., they may reflect cash on hand), costs must be reconciled with drawdowns as necessary, consistent with the provisions of Section II.D. of this chapter).

II.C.2.ii **Awards Not Paid Through ASAP**
For awards that do not use ASAP for payment, Designated Financial Officers will ensure that accruals are recorded monthly in accordance with the procedures specified in the Cost Accrual Guide.

II.D. Reconciliations And Year-End Processes

Designated Financial Officers must ensure reconciliation of costs recorded in the STARS with costs and cash on hand balances reported by award recipients. Actual costs and cash on hand may be reported through the SF-425, SF-425A, or other required reports. When current recipient cost reporting is not available, year-end adjustments shall reflect the best information available, including current cost estimates. Reviews of automated accruals should follow the normal process

described in the Cost Accrual Guide maintained by the CFO Office of Finance and Accounting (CF-10).

II.E. Accounting for Government-owned Property

The Designated Financial Officer 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 of the *DOE Financial Management Handbook*, "Property, Plant, and Equipment," provides requirements for accounting for Government-owned property.

III. PAYMENTS AND CASH MANAGEMENT

III.A. Timing of Payments

The CO will determine the payment terms before the award is executed, consistent with the requirements of 2 CFR 200; 2 CFR 910; 10 CFR 603; and include the payment terms and other conditions in the award. The regulations permit three types of payment terms, as discussed in this section.

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.

III.A.1 Advance Payments

Advance payments are the preferred payment mechanism for 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.

Additional information regarding advance payments for TIAs can be found in 10 CFR 603.805.

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).

III.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 recipients, reimbursement is the preferred payment method in accordance with 2 CFR 910.354.

For all other recipients, reimbursement is the preferred method 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 shall be the payment method when the recipient does not meet the requirements for an advance payment as described in paragraph III.A.1. above.

Additional information regarding reimbursement payments for TIAs can be found in 10 CFR 603.805.

In the case of TIAs, a milestone payment schedule may be negotiated in accordance with 10 CFR 603.810.

Payments to recipients 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, the payments must be made within 30 days of receipt of a valid request for reimbursement. Payments in this context does not refer to interest or penalty payments paid by recipients in their contracts with contractors as the Prompt Payment Act stipulates that Federal funds may not be used for these purposes.

III.A.3. **Working Capital Advance**

If a recipient cannot meet the criteria for advance payments as specified in 2 CFR 200.305 and the CO 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 CO, 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 CO but should not normally exceed the recipient's disbursement cycle. Thereafter, payments are made to the recipient for actual cash disbursements. DOE shall use capital advances to ensure that the recipient complies with cash management policies provided in Section II.D of this chapter.

III.A.4 **Timing of Payments for Revolving Loan Funds, Loan Loss Reserve Funds, Interest Rate Buy-Downs, and Third-Party Loan Insurance**[1]

III.A.4.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).

III.A.4.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; and [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.

III.A.4.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.

III.A.4.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.

III.B. Payment Methods

III.B.1. Disbursement of Advance Payments

When the CO determines that advance payments will be made for an award, Treasury's ASAP system must be used for processing the award payments unless the Designated Financial Officer (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.

III.B.2. Disbursement of Reimbursement Payments 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.

III.B.3. Withholding Payments

Payments will be withheld when specified by the CO. The CO will notify the appropriate DOE payment office so that the payment is withheld accordingly.

Consistent with the provisions of 2 CFR 200.305(b)(6) and 10 CFR 603.815, reasons for withholding payment include, but are not limited to:

III.B.3.i A recipient has failed to comply with the project objectives or the terms and conditions of the award; or

III.B.3.ii The recipient or sub-recipient is delinquent on debt owed to the United States.

III.C. Cash Management for Recipients Receiving Advance Payments

The Designated Financial Officer shall coordinate with the CO 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.

III.C.1. **Monitoring**

The Designated Financial Officer (in coordination with the CO) shall use recipient financial reports and information available in the ASAP system 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.

III.C.2. **Completion or Termination**

Upon termination or completion of the award and after cognizant CO notification, the Designated Financial Officer shall coordinate with the CO (as appropriate) to take prompt action to recover any remaining unused cash balances advanced to the recipient.

III.C.3. **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.

III.D. Program Income

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.

III.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 or 10 CFR 603.835 for Technology Investment Agreements).

III.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."

III.E. Earned Interest

III.E.1. Requirements

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:

III.E.1.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).

III.E.1.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).

III.E.1.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.

III.E.2. **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.

III.F. 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 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.

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.

III.G. Adjustments

The CO 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 STRIPES 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.

IV. CLOSEOUT

IV.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.

IV.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.

TIAs are not financial assistance awards and are not subject to the closeout reporting required by A-136.

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1. 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.

2. 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.

3. See Energy Efficiency Conservation Block Grant (EECBG) Program Notice 09-002C and SEP Program Notice 10-008C for further information on revolving and loan loss reserve funds and interest rate buy downs and third-party insurance.

4. For awards issued before 12/26/14 that have not undergone a modification to apply current regulations to the award, the requirement is specified in 10 CFR 600.243.

CHAPTER 15

COST ACCOUNTING

1. INTRODUCTION

a. Purpose. This chapter presents the policy to be followed by the Department of Energy (DOE) and its site/facility management contractors (contractors) in developing and operating a product or standard cost accounting system for: (1) the procurement and production of nuclear material, weapons components and any other products manufactured/assembled by the Department; (2) stockpiled weapons, weapons components, and intermediate weapons products; and
(3) weapons components delivered to the Department of Defense (DOD). Excluded from the production cost accounting system are any of the above mentioned materials withdrawn from the production chain for use in research, process development, pilot plant operations and weapons design, development and test activities, and the dismantlement/disassembly of weapons, weapon components, and weapon systems. This chapter prescribes the procedures for transferring accumulated costs of materials and weapons components to field offices and contractors receiving materials for further processing and assembly, and for transferring any nuclear material in other inventories. The chapter also addresses other cost accounting topics with applicability to DOE entities.

b. Background. DOE's cost accounting practices were promulgated in the DOE Accounting Practices and Procedures Handbook (APPH), dated October 1979, Chapter X, Product Cost Accounting. That chapter was last revised in December 1983. In the interim, DOE production facilities have been working with the Cost Accounting Standards (CAS), the APPH Chapter X, and locally developed supplements. The Department's decision to resume tritium production requires formal guidance on cost accounting, and the introduction of this chapter.

c. Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview", Note that the applicability of this chapter pertains almost exclusively to costs incurred by site/facility management contractors, with little applicability to costs incurred within Departmental elements. Those costs are addressed in the paragraph concerning Managerial Cost Accounting.

2. ELEMENTS OF PRODUCT COST. The costs listed below are elements of finished products and/or components.

a. Direct Material. The cost of all materials and stores received in a production area for fabrication or assembly into final products or components. This includes raw materials, including nuclear materials and their transportation costs and other
costs incurred in moving the materials to the production facility, feed materials transferred to a production process, process materials, and any other materials or

stores received in a production area for fabrication or assembly into a final product or component.

b. Direct Labor. The cost of labor employed in the operation of a production process, or in the fabrication or assembly of weapons, weapon components or other products. For labor cost to be classified as direct, it must be possible to measure the cost applicable to each unit of product or job.

c. Other Direct Costs. Elements of cost such as travel directly related to the product, specialized training, subcontract costs, and service charges such as utilities if directly metered.

d. Indirect Costs. The cost of all production support and superintendence, including depreciation applicable to a production process or facility. A proper allocation of the contractor's indirect costs typically allocated to all cost objectives at a particular site, such as General and Administrative (G&A) expenses, should be included in the product cost. DOE costs, if they are directly identifiable with and chargeable to production (such as warehousing and inspection costs, or increased security costs specifically identified with weapons production) should be included.

e. Other Costs. Certain costs may be categorized as either direct or as indirect costs depending upon the specific circumstances. An example would be special tooling, the cost for tooling to fabricate or assemble unique weapons or weapons components. If specific to one component or weapons system then the cost should be treated as direct, but if fabricated for a production process including multiple weapons systems or components, the cost should be treated as an indirect cost with appropriate allocations.

f. Life Extension Program. The Stockpile Life Extension Program consists of activities which enable the nuclear weapons complex to extend the operational lives of the weapons in the stockpile well beyond their original design lives. Phase 6.X (the weapon's acquisition life-cycle process which encompasses the refurbishment of existing weapon systems) cost associated with the First Delivery Unit (FDU) should be capitalized into the value of the specific weapons systems refurbishment, specifically the costs incurred in Phase 6.4 (Production Engineering) that support the purchase, procurement and fabrication of the physical infrastructure for the FDU through Phase 6.5 (First Production).

3. EXCLUSIONS FROM PRODUCT COST

a. Research and Development. 'The cost of basic Research and Development (R&D) activities performed under the operating activities of DOE, and the cost of engineering and design of weapons components and production processes for weapons and components. It includes preproduction, pilot production, and process/product engineering costs. The R&D process ends with the first

production unit (prototype), and production begins with the first delivery unit. For that reason, first delivery unit costs are included in product cost.

b. Standby Costs. The costs incurred in conditioning production facilities for placement in standby status and maintaining these facilities in a shutdown mode for possible future use. Costs include such items as guard force activities, fire protection, electricity, heating and general maintenance as well as a proper share of the contractor's G&A expenses. Standby costs are distinct from excess capacity costs where production is occurring but at a capacity less than normal or other level of capacity.

c. Excess Capacity Costs. All costs that can be identified to the maintenance of an excess capacity at the production facility should be excluded from the product cost. This includes a situation where the deliberate sizing of the production facility is based upon projected levels of production over the short term in addition to the maintenance of capability for increased production should the need arise in the short or long terms. The costs incurred as a result of such deliberate plant/production facility sizing are costs that are more appropriately accounted for as period costs rather than production costs. The National Nuclear Security Administration (NNSA) has identified such costs and developed a program, Readiness in Technical Base and Facilities (RTBF), to better manage these facility operations costs where such non-production costs can be budgeted, managed, and reported. Effective in FY 2001, the department began recognizing RTBF as a final cost objective or responsibility segment (See Paragraph 9.b.). Additionally, costs incurred that can be attributed to the existence of plant capacity, inherent to the original construction of the facility, that is excess to the current production requirements should also be excluded from the product costs. Whatever the reason for the existence of the excess capacity, the costs attributed to it should be supported by either historical cost data from a period of operation at what could be considered full or normal capacity or an engineering determination of practical capacity. Excess capacity costs (RTBF and other excess capacity costs) should be treated as period costs and should not be included in the cost of the product.

d. DOE Costs. The cost of DOE program management and support, such as program direction, landlord costs, and Departmental Administration, should normally be excluded from product cost. The cost associated with DOE personnel should be included only if it can be specifically identified with the product or production process.

e. Startup Costs. All costs associated with operational testing, training of operating staffs, and similar expenses involved in preparations for production operations of new facilities or reactivated standby facilities.

f. Transportation and Security Shipment Costs Applicable to Stockpile Transactions. Costs of transporting weapons parts, components and

assemblies to and from stockpile, such as freight charges, salaries, and travel expenses of guards, etc., are excluded from product costs and are charged to the appropriate DOE program. The cost of preparing completed items for shipment to stockpile by a contractor is charged to product cost.

g. **Costs Incurred Through Conversion of Weapons.** The costs of maintenance, modifications, repairs, retrofit and other support of nuclear weapons stockpile that are not part of the Life Extension Program are excluded from product cost and charged to the applicable stockpile maintenance activities.

h. **Inventory Adjustments and Revaluations.** Inventory adjustments or revaluations not of a recurring nature which have been specifically authorized by the DOE CFO are excluded from product costs.

i. **Conversion of Waste Materials to Weapons Use.** This includes costs associated with the processing, conversion, segregation, and filtering of waste materials and the packaging, transportation, decontamination, and storage costs related to waste management recycling activities.

4. **TRANSFER PRICES.** Inventory/work-in-process moved within the production process as part of a production schedule is to be transferred at a value that includes all costs incurred to date in the process, direct costs and indirect costs allocated to the product/component, including any capitalized costs. This transfer price, in addition to being the carrying value for the DOE inventory, will be picked up as the value of the direct material at the next DOE site in the production process. That site within the process will apply additional direct material, direct labor and indirect allocations to the cost of the product or component. This process will occur within each step in the production complex. Nuclear materials will be transferred at standard transfer value costs set by the Office of Financial Policy, DOE Headquarters.

5. **PRICING.** The contents of this chapter are intended to provide guidance in calculating the cost of DOE products. Product cost is only one element of the price charged to outside entities. The general requirement for pricing of goods and services sold by DOE to outside entities is for full cost recovery and is governed by DOE Order 522.1, Pricing of Departmental Materials and Services.

6. **STANDARD COSTING.** For those production facilities that use standard costing, establishing the standard cost factors requires the development by the contractor of engineered standards in terms of material, labor, and predetermined overhead for all sub-parts, sub-assemblies, and assemblies. Details for the development of engineered standards are site specific and therefore are not prescribed in this handbook. The standard cost should include the normal amount of material at its inventory valuation (purchased material or the standard of the items in production), the required labor time and anticipated wage rates for each different operation, and a prorated amount of overhead/indirect costs. Standard cost variances will normally remain in production inventory through the fiscal year, but should be charged to cost of operations at fiscal

year end. An analysis of standard cost variances should be performed and used in establishing standard costs for the subsequent year. Standard costs should normally be adjusted only at the beginning of the fiscal year; however, contractors may adjust the standards on a more frequent basis depending on the changes being made and the materiality of the changes.

7. **CONSTRUCTION.** Capital construction projects should be treated as other final cost objectives for purposes of cost allocation as delineated in Chapter 10, Paragraph 1. f.(a)(e) of the Accounting Handbook. Allocation rates should be the same for operating and construction projects unless there are cost centers/costs that are material and do not have a causal/beneficial relationship to construction projects. When construction is performed by DOE (in-house), DOE G&A will not be included in the capitalized cost.

8. **OTHER COST ACCOUNTING CONCEPTS/PRINCIPLES.** There are several other cost accounting concepts and/or principles with applicability to DOE.

   a. **Functional Cost.** The Department's Support Cost by Functional Activity (SCFA) tracks the support related costs incurred by the DOE's largest site/facility management contractors. The Department has developed consistent functions for approximately 20 specific cost categories such as "facility management," "site maintenance," and "human resources" that contractors use in reporting their support related costs. These specific categories fall into three broad categories: "general support," "mission support," and "site specific support." These costs are summarized in the annual SCFA Report.

   b. **ActivityBased Costing (ABC).** Activity Based Costing is a method for developing cost estimates using cost accounting principles. A project is subdivided into discrete, quantifiable activities or work units. After the project is broken into its activities, a cost estimate is prepared for each activity. A detailed explanation of ABC can be found in Chapter 24 of DOE Guide 430.1-1.

   c. **Cost Accounting Standards.** The CAS were established to ensure that the accounting practices of contractors performing work on both commercial and Government contracts were consistently applied and that costs were equitably allocated. The CAS has been recodified by the Cost Accounting Standards Board and is contained in 48 Code of Federal Regulations, Chapter 99. The Department's site/facility management contracts are generally subject to CAS, although specific situations may exist with certain contracts which render portions of the CAS inapplicable. Contractors should maintain a costing methodology that allocates cost in accordance with contractually-required and DOE approved, Cost Accounting Standards Disclosure Statements.

9. MANAGERIAL COST ACCOUNTING

a. Background. In June 1995, the Office of Management and Budget (OMB) issued Statements of Federal Financial Accounting Standards (SFFAS) Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government. The intent of SFFAS Number 4 was to provide reliable and timely information on the full cost of Federal programs, their activities and outputs, and to require the reporting of this information in annual financial statements. The Standard was initially scheduled to become effective October 1, 1996, for Fiscal Year (FY) 1997 financial statements. OMB later deferred mandatory implementation of the standard until FY 1998. Because the Department was well into the implementation process at the time of the OMB deferral, the FY 1997 financial statements were compiled in accordance with the standards. The Department's annual financial statements have been compiled in accordance with SFFAS Number 4 each year since FY 1997.

b. General Goals/Program Goals. Working with the program offices, the Office of the Chief Financial Officer (CFO) developed a series of responsibility segments for the Department's financial statements. These responsibility segments (the terminology used in SFFAS Number 4) represented the Departmental components responsible for carrying out a mission, conducting a major line of activity, or producing products and services. In cost accounting terminology, the responsibility segments would be identified as final cost objectives. However, not all responsibility segments were final cost objectives. Responsibility segments were also developed for those costs that are ultimately allocated to other responsibility segments. This includes such indirect costs as program direction, landlord activities, departmental administration, etc. The net costs for each final cost objective responsibility segment were reported in the Notes to the Financial Statements section of the annual Accountability Report. In FY 2003, the Department began using the terms general goals and program goals in lieu of responsibility segments. In addition to the current year net costs for each goal, the prior year net costs are also reported for comparability purposes.

c. Data Input. The majority of the Department's cost data is input into the financial system by the Headquarters CFO and the contractors. The contractors input cost data against the final cost objective goals as the costs are incurred during the year. Although the costs incurred by the contractor include both direct and indirect costs, for purposes of the managerial cost accounting, contractor costs are treated as direct costs. To clarify, the contractor incurs direct costs against the DOE program on which it is performing the contractual work. It also allocates its own indirect costs at that site to the various DOE programs (final cost objectives) at the site in accordance with the CAS. These are all recorded as Direct Funded Expenses in the DOE financial system. The Headquarters CFO periodically updates the financial database with all data input since the last update. Current information and corresponding financial reports are available on-line to program

managers and field organizations the next day. Quarterly, various indirect costs are allocated to the final cost objective goals. Effective in FY 2003, responsibility for performing cost allocations was transferred from the field CFO's or equivalent to Headquarters. This change was made necessary by the accelerated time frames for completion of the financial statements. The allocations are made on the same basis as used by the field sites in previous years. The field CFO's or equivalent are responsible for informing Headquarters CFO of any changes at the site which would necessitate changes in allocation methodology.

d. Cost Allocation Methodology. Goals which do not represent final cost objectives must be fully allocated to the goals which do represent final cost objectives. This includes such cost elements as departmental administration, program direction for program offices with multiple program goals, landlord costs, security investigations, etc. These allocations are now performed by the Headquarters CFO with input from program offices and field CFOs or equivalent. To achieve a reasonable level of consistency throughout the Department, establishment and application of allocation rates, based on total program funded costs, has been the preferred methodology for allocating these indirect costs to goals, provided it results in an equitable assignment of these costs. Field CFO's or equivalent are responsible for advising the Headquarters CFO if the allocation methodology used in previous years is no longer appropriate and, if a methodology other than one based on total funded program costs is recommended, the rationale supporting it. It is imperative that the allocation methodology selected be reasonable and well documented.

e. Update Process. Goals are reviewed and updated by Headquarters CFO each year. The assignment of new programs/accounting classifications to goals is coordinated with the responsible program office. Deletion of any old accounting classification from the listing is coordinated at the same time, and the program office may also decide to recommend changes to their goals and/or accounting classification assignments. A crosswalk of the general and program goals to the accounting classification associated with their programs is maintained by the Headquarters CFO and is updated each year. Guidance memoranda are issued to the field and to Headquarters program offices as needed.

f. Post Retirement Benefits. SFFAS Number 4 requires that the full cost of goods and services received from other Government entities be included in the Department's financial statements. The retirement benefits paid by the Office of Personnel Management (OPM) are one of those costs. To assist in accounting for post retirement benefits for Federal retirees, OPM issued Financial Management Letter Number 97-08, Cost Factors for Pension and Other Retirement Benefits, on October 23, 1997. The letter included cost factors to be applied to the current pay of regular Civil Service Retirement System and Federal Employees Retirement System employees. Additional cost factors provided were an amount for each employee enrolled in the Federal Employees Health Benefits Program and a percentage of basic pay for each employee enrolled in the Federal Employees

Group Life Insurance Program. OPM provides updated cost factors quarterly and at the end of the fiscal year. Headquarters CFO calculates the imputed pension and post retirement benefits costs by applying the annual cost factors to the actual cost data maintained in the payroll system. The costs are accumulated by first tier organization and Headquarters CFO enters the imputed costs into the financial system and performs the allocations except for the Power Marketing Administrations (PMAs). Headquarters CFO provides the OPM imputed costs to the PMAs who make the necessary entry into the financial system. The allocations are almost always proportional to the allocations of program direction costs.

g. Fiscal Year-End Process. All final cost data for the expiring fiscal year, including data for the contractors, must be entered into the financial system before final allocations can be performed. After receipt of all final field September submissions, Headquarters CFO will perform the final managerial costs allocations. Guidance is issued annually by Headquarters CFO detailing end-of-year requirements, including changes in schedules.

h. Restatement of Prior Year Costs. As previously stated in paragraph 9b, the presentation of the financial statements shows both the current fiscal year costs and the prior year costs. For purposes of comparability, the prior year costs may need to be restated if there has been a significant change in the program structure. Field CFOs or equivalent should advise Headquarters if circumstances at their sites necessitate a restatement of the prior year's costs.

10. ACCOUNTING FOR COSTS OF WORK STOPPAGES

a. Requirement

All DOE management and operating contractors and other site/facility management contractors running DOE laboratories, sites, or plants are required to monitor and account for the full costs associated with work stoppages due to health, safety, security, disaster, and weather related stoppages that exceed both of the following: (1) two entire consecutive business days in duration; and (2) costs incurred estimated to exceed $100,000. This policy applies to shutdowns involving an entire site, a remote facility, or a sub-organization within a DOE laboratory site that meets this threshold.

This requirement applies unless superseded by more specific contractual requirements.

1. Tracking the cost of work stoppages supports several Departmental requirements:

   a. *Reporting.* Accurate and complete information on the cost of work stoppages allows the Department to report these costs promptly and accurately.
   b. *Allowable Cost Determinations.* Accurate information on work stoppages may inform allowable cost determinations by DOE contracting officers.

c. *Assessing Budgetary Impacts and Required Contract Funding.* Work stoppage costs are relevant to assessing the budgetary impact of interruptions or deferrals of scheduled work.
d. *Assessing Contractor Performance.* Work stoppage costs may be relevant to contractor fee determinations or other contractor performance assessments.

2. ***Composition of Full Cost***. Full cost comprises all costs associated with the following activities:

a. Maintaining a facility or activity in a stand down mode;
b. Shutting down facilities or activities;
c. Restarting facilities or activities;
d. Transitioning facilities and personnel to other approved and funded work;
e. Cleanup, investigative, and remediation activities that are specifically associated with a work stoppage; and
f. Non-productive labor resulting from idleness or no activity taking place as a result of the work stoppage.

Costs associated with labor or other resources that are productively reassigned to other activities do not constitute work stoppage costs.

3. ***Tracking Costs.*** All DOE management and operating contractors and other site/facility management contractors running DOE laboratories, sites, or plants shall maintain internal procedures and accounting mechanisms as required to separately record the costs associated with a work stoppage.

a. Contractors should ensure that work stoppage costs are appropriately burdened in accordance with their approved cost accounting practices.
b. Contractors need to ensure that their accounting systems have the ability to track costs for a work stoppage as those costs are incurred. As necessary, sites should pre-establish the activity or other accounting codes necessary to track future work stoppage costs.
c. Prime contractors need to ensure that subcontract costs incurred as a result of a work stoppage are properly tracked.
d. Taking action to promptly track work stoppage costs will minimize the difficulty of retroactively capturing and reporting these costs. However, when necessary to ensure complete reporting of work stoppage costs, sites need to retroactively charge costs already incurred to the appropriate work stoppage activity or accounting code.

4. ***Reporting Costs.*** Contractors are required to report the total costs incurred for each individual work stoppage to the contracting officer on a quarterly basis, or more frequently as directed by the contracting officer. Reports should contain the total costs for each identified work stoppage during the quarter. As appropriate, reporting on work stoppages can be combined with other reports regularly provided by the contractor or transmitted separately to the contracting officer. Contractors must provide any further available information on individual work stoppages at the request

of the contracting officer. If a contractor does not incur costs with work stoppages in a particular quarter, no report is required.

b. Work Stoppages for which the cost must be separately tracked

Work stoppages for which the cost must be separately tracked include those caused by the following events that result in a disruption, delay, or deferral of scheduled and approved work at DOE sites that exceeds both of the following: (1) two entire consecutive business days in duration; and (2) costs incurred estimated to exceed $100,000:

1. Work delays or disruptions that result from disasters, to include all disasters declared by the President;

2. Disruptions caused by security and accident investigations conducted in accordance with DOE Order 225.1B, "Accident Investigations;"

3. Stoppages that result from violations of DOE nuclear safety requirements as provided for in the Price Anderson Enforcement Act;

4. A shutdown or curtailment of work at a DOE facility directed by a senior Departmental management official or contracting officer involving a safety or emergency incident. These events are further described in DOE Order 232.2, "Occurrence Reporting and Processing of Operations Information;"

5. A work stoppage or shutdown as provided in the following DEAR Clauses:
   a. DEAR 970.5223-1 - "Integration of Environmental Safety and Health into Work Planning and Execution;" and
   b. DEAR 952.223.72 – "Radiation Protection and Nuclear Criticality;" and

6. Temporary site closures due to inclement weather.

Routine maintenance, safety pauses, timeouts, or training sessions to maintain worker safety awareness do not constitute work stoppages that require the separate tracking of cost information. Contractors should consult with their contracting officer if it is not clear whether an event constitutes a work stoppage according to the provisions of this policy.

This policy does not address stop work orders, delays resulting from a lack of funding, project management issues, or other delays, or disruptions that are not the result of the health, safety, security, disaster, or weather-related events described in this policy. Contractors should consult with their contracting officer for direction on how to address such situations.

March 19, 2015

APPENDIX FOR CHAPTER 15, COST ACCOUNTING
Reinvesting Cost Savings from Sustainability Projects

Background:

Department of Energy Order 436.1 requires verified savings from departmental sustainability projects be reinvested to fund additional sustainability projects at that site. The Order requires the CFO to develop and implement guidance on the reinvestment of those savings. This Appendix provides more detailed information on the implementation of this section of DOE Order 436.1.

1. Requirement and Authorities

   DOE Order 436.1 mandates that the Department reinvest verified monetary savings from sustainability projects in new sustainability projects, consistent with federal regulations and DOE guidance. Specifically, the order states:

   > *Verified savings from all sustainability projects must be reinvested, consistent with Federal regulations and DOE guidance, to further additional sustainability projects at that site.*

   The DOE policy requiring reinvestment of monetary savings from sustainability projects is authorized by National Energy Conservation Policy Act (codified in 42 U.S.C. § 8256).

2. Qualifying sustainability projects

   The requirement applies only to projects that are described as conservation measures in annual sustainability data reporting, including the Site Sustainability Plan, as required by DOE Order 436.1, or is otherwise designated as a sustainability project according to guidance issued by the cognizant DOE program office.

   The following do not constitute sustainability projects requiring the reinvestment of verified monetary savings:
   - Maintenance and repair.
   - New facility construction.
   - Projects that result in immaterial savings amounts on an annual basis (under $10,000 per year per project), or projects for which the expected measurement and verification costs would exceed the projected cost savings.

   This policy does not apply to Energy Savings Performance Contracts (ESPCs).

3. Identifying verified cost savings from sustainability projects

   Sustainability projects provide verified cost savings when the annual cost avoidance exceeds the amortized annual cost of the project. Verified savings that must be reinvested according to the requirements of DOE Order 436.1 will be calculated on an annual basis.

APPENDIX FOR CHAPTER 15, COST ACCOUNTING
Reinvesting Cost Savings from Sustainability Projects

- *Determining annual cost avoidance*. The method of verifying the cost avoidance realized from a sustainability project should be consistent with the manner in which the site verifies the savings of implemented projects under EISA Section 432. EISA Section 432 guidance recommends project follow-ups to be performed at least once every four years with the appropriate level of measurement and verification procedures such as retrofit isolation, calibrated simulation, and the whole-building method. Measurement and verification for sustainability projects shall be performed in accordance with the guidelines issued by the Federal Energy Management Program (FEMP). For details see *M&V Guidelines: Measurement and Verification for Federal Energy Projects Version 3.0 (or successor guideline document).*
- *Calculating the amortized annual cost of the sustainability project.*
    - The cost of the sustainability improvement should be amortized over the expected useful life of the improvement or 25 years; whichever timeframe is shorter.
    - The annual amortized cost of the sustainability investment should be calculated using the appropriate nominal interest rate on Treasury Notes and Bonds as specified by Appendix C of OMB Circular A-94 if the interest rate is not specified in the contract.
        - The interest rate used should be consistent with the expected useful life of the sustainability improvement.
        - The amortized annual cost should be calculated once at the time the sustainability improvement is made using the interest rate current at that time.

There are no savings available for reinvestment if any of the following conditions apply:

- The amortized annual cost of the project exceeds the annual cost avoidance;
- The verified cost savings are immaterial (under $10,000); or
- The expected measurement and verification costs exceed the projected cost savings, there are no verified cost savings available for reinvestment.

4. Reinvestment of the sustainability proceeds

Specific plans for reinvesting the monetary savings from energy savings projects must be detailed in the annual Site Sustainability Plans or other reporting as required by DOE Order 436.1.

5. Roles and Responsibilities

- Sustainability Performance Office. Provides guidance as needed on the implementation of this policy and reviews Site Sustainability Plans and annual sustainability reports.

March 19, 2015

APPENDIX FOR CHAPTER 15, COST ACCOUNTING

Reinvesting Cost Savings from Sustainability Projects

- Under Secretaries. Per the requirements of DOE Order 436.1, ensure reinvestment of verified savings associated with sustainability projects, consistent with Federal regulations and DOE guidance, to further sustainability goal achievement.
- Operations and Field offices. Field and operations offices shall ensure that M&V plans are developed and implemented and the projects' verified savings are calculated in accordance with this policy and reinvested per the requirements of DOE Order 436.1. The field and operations offices should retain records which are auditable and traceable for projects identified as resulting in cost savings.
- Field CFO Offices. Provides expert assistance as needed on calculating the verified cost savings realized by the sustainability projects.

CHAPTER 16

PAYROLL ACCOUNTING

1. INTRODUCTION.

a. Purpose. This chapter outlines the principles, responsibilities, operating procedures, and other general information for preparing payrolls and maintaining pay and leave records for civilian employees of the Department of Energy (DOE).

b. Applicability. This chapter applies to all Departmental elements that have payroll services furnished by the Department of Defense's Defense Finance and Accounting Service (DFAS). This chapter does not apply to DOE's contractors.

c. Background. Consolidation of payroll operations was effected by the Office of Personnel Management's (OPM) selection of four providers to furnish payroll services for the Executive Branch of government. DOE was successfully migrated to DFAS under the E-Payroll Initiative. The E-Payroll Initiative was established to standardize and consolidate Government-wide Federal civilian payroll services and processes by simplifying and standardizing HR/payroll policies and procedures and better integrating payroll, human resources, and finance functions.

d. Responsibilities. DFAS is responsible for establishing the necessary systems, policies, and procedures for payroll preparation as directed by any departmental or service level agreement.

DFAS and DOE are responsible for maintaining system requirements in compliance with all applicable laws and regulations governed by regulations issued by OPM, Federal and other taxing authorities, the Department of the Treasury, the Department of State, the Office of Management and Budget (OMB), and the Department of Labor.

2. PAYROLL OPERATIONS.

a. Payroll System. DFAS is responsible for the recording of payroll data, including adjustments and supplements, into the Defense Civilian Payroll System in accordance with laws and regulations as applicable. DFAS shall at a minimum:

(1) Pay the net pay due, biweekly, by electronic funds transfer (direct deposit) to the employee's financial institutions;

(2) Promptly make payment in the proper amount to all persons entitled to be paid, in compliance with applicable laws, regulations, DOE Policies, and legal decisions;

(3) Prepare adequate and reliable payroll records;

(4) Promptly record accounting entries for the disposition of all authorized deductions from gross pay;

(5) Maintain adequate control over, and provide adequate retention and disposition of, all payroll related documents;

(6) Maintain individual pay records to show gross compensation (including allowances) by type and amount, deductions (including allotments) by type and account, and net pay for each period; and,

(7) Review payroll operations continually and adjust them to be as efficient, effective, and economical as possible, and ensure that payroll systems are in accordance with all legal requirements.

b. **Internal Controls.** An effective system of internal control requires the separation of duties between the payroll and human resource offices. The human resource office shall furnish the DFAS payroll office with authorization for each addition to or deletion from the payroll or change in rate of pay. All changes in payroll must be supported by authorized change documents.

(1) For employee initiated adjustments, such as thrift savings plan and address changes, the employee shall furnish authorization in writing or through the Employee Self Service/myPay website. The human resource office shall maintain a record of the employee's authorization for benefit adjustments submitted in writing in the employee's electronic Official Personnel File. The Employee Self Service and myPay systems shall retain records of transactions submitted electronically. The Energy Finance and Accounting Service Center (EFASC) shall maintain a record of the employee's authorization for deduction adjustments submitted in writing.

(2) Personnel performing the payroll accounting activity do not certify time and attendance records.

(3) Earnings and leave statements are made available to employees via the myPay website.

(4) EFASC ensures that payroll data is processed accurately: that time and attendance records are certified by appropriate DOE officials, and that hardcopy changes received in writing from the human resource office or the employee are reviewed sufficiently to ensure their accuracy and acceptability before submitting to DFAS.

(5) The Office of Corporate Information Systems provides summary reports of each employee's records to the certifier of the employee's time and attendance records for appropriate review and verification via Employee Self Service.

(6) At the request of DOE programs, EFASC may establish Task Codes within the Automated Time Attendance and Production System (ATAAPS) that allow individuals to charge their time to an organization other their own. Organizations that request the establishment of these Task Codes must pay close attention to their payroll expenditures to ensure that they are only paying for appropriate payroll expenses. These organizations must also request that EFASC delete codes that are no longer necessary.

c. **Handling Personal Information**. The Privacy Act of 1974 (Public Law 93-759) and DOE Order 206.1, Department of Energy Privacy Program, establish certain minimum standards for handling and processing personal information maintained in the data banks and systems of the executive branch, for preserving the security of the computerized or manual system, and for safeguarding the confidentiality of the information.

d. **Accounting**.

(1) EFASC establishes ATAAPS Work Center, Task, and Job Order codes to allow the payroll system to charge costs to the appropriate budgetary funding source. EFASC is responsible for maintaining accounting codes in ATAAPS and the related table in DOEInfo. EFASC payroll accountants enter adjustments in DOEInfo and run the STARS Labor Distribution System Interface to record entries in STARS.

(2) Departmental elements are responsible for managing and monitoring their salary and benefit expenses as a part of the budget execution process in accordance with DOE Order 135.1A, *Budget Execution Funds Distribution and Control*, and DOE Manual 135.1-1A, *Department of Energy Budget Execution Funds Distribution and Control Manual*. Each office is responsible for establishing adequate processes for monitoring its payroll expenditures, both in aggregate and for individual employees. Payroll expenditure information is available from the following sources:

a) STARS: The STARS system provides obligation, cost, and payment reports in aggregate for the office. STARS data may be accessed directly or through the business intelligence tools available on the CFO iPortal.

b) DOEInfo. .

- DOEInfo reports show various levels of employee information for a given organization. These reports are run by employee organization, not funding source. This allows an organization to see payroll expenses for its employees, but will not show any payroll expenses it is incurring for employees of other organization.

- DOEInfo may be accessed from the Management Information Systems (MIS) Application Gateway at https://mis.doe.gov.

c) Payroll Labor & Distribution System (PLDS).

- PLDS reports may be generated by Appropriation or Fund Type. PLDS reports show all charges to a particular Appropriation or Fund Type regardless of the employee's organization. This allows the organization to monitor any payroll expenses it is incurring for employees assigned to another organization. If the program had previously established ATAAPS Task codes that allow other programs to charge hours worked to their program, they would need to generate PLDS reports to review all their salary and benefit charges.

- PLDS access is available to authorized program office employees by sending a request to the Payroll Help Desk at PayrollCSRHelpDesk@hq.doe.gov.

- Technical information on DOEInfo and PLDS is available from CF-40, Office of Corporate Information Systems.

e. Non-cash Fringe Benefits. Internal Revenue Service (IRS) regulations require certain non-cash fringe benefits to be included in employee taxable wages. The EFASC Payroll Team will issue additional guidance providing specific information on required reporting for these benefits as determined by the most recent IRS guidance. Departmental elements must provide the EFASC Payroll Team with information on non-cash fringe benefits for inclusion in the taxable wages of effected employees as specified in the guidance.

3. **OTHER GENERAL PAYROLL INFORMATION.** More information can be found on Basic Pay, Payroll Earnings, Payroll Deductions, Payroll Records, Employee Benefits, Garnishments, Insurances, and other general payroll questions at:

a. The Department of Defense's Defense Finance and Accounting Service (DFAS) website (http://www.dfas.mil);

b. The Department of Energy Office of the Chief Human Capital Officer website (http://humancapital.doe.gov);

c. The Department of Energy Directives, Regulations, and Standards website (https://www.directives.doe.gov/directives/current-directives), referenced to DOE Order 323.1, "Garnishment of Federal Employee's Pay," DOE Order 322.1C, " Pay and Leave Administration and Hours of Duty," and DOE Order 533.1, "Collection from Current and Former Employees for Indebtedness to the United States,";

d. The Department of State Standardized Regulations website (http://www.state.gov/www/perdiems/dssr/regs000.html, and http://aoprals.state.gov);

e. The Employee Self Service website (https://mis.doe.gov/ess);

f. The Thrift Savings Plan website (http://www.tsp.gov); and,

g. The Office of Personnel Management website (http://www.opm.gov).

Chapter 17 - Reserved

CHAPTER 18 -Reserved

CHAPTER 19

NUCLEAR WASTE FUND

1. INTRODUCTION.

a. Purpose. This chapter establishes the financial, accounting, and budget policies and procedures for civilian and defense nuclear waste activities, as authorized in Public Law 97-425, the Nuclear Waste Policy Act, as amended, referred to hereafter as the Act.

b. Applicability. This chapter applies to all Departmental elements, including the National Nuclear Security Administration, and activities that are funded by the Nuclear Waste Fund (NWF) or the Defense Nuclear Waste Disposal appropriation.

c. Background. The Act established the Office of Civilian Radioactive Waste Management (OCRWM) and assigned it responsibility for the management and disposal of the Nation's spent nuclear fuel and high-level radioactive waste.

(1) The Act established the NWF and authorized the Secretary of Energy (Secretary) to enter into contracts with owners or generators of spent nuclear fuel or high-level radioactive waste of domestic origin in return for the payment of all costs associated with the storage, transportation, and disposal of the spent nuclear fuel or high-level radioactive waste. NWF revenues come from fees charged to owners and generators of spent nuclear fuel and high-level radioactive waste.

(2) The Defense Nuclear Waste Disposal appropriation was established by Congress in 1993 as an alternative to direct payment by the Department into the NWF for the cost of disposing of spent nuclear fuel and high-level radioactive waste resulting from atomic energy defense activities, in accordance with the full-cost-recovery provisions of the Act.

(3) OCRWM shall administer the NWF and the Defense Nuclear Waste Disposal appropriation in accordance with the provisions of the Act; the Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste in Title 10, part 961, of the Code of Federal Regulations; the regulations of the Department of the Treasury (Treasury); and guidance provided by the Office of Management and Budget (OMB) and Congress.

2. RESPONSIBILITIES.

a. Director of the Office of Civilian Radioactive Waste Management:

(1) In coordination with the Department's Chief Financial Officer (CFO), establishes financial management policies, procedures, objectives, and requirements of the Civilian Radioactive Waste Management Program for all Departmental elements;

(2) Develops estimates for current fiscal year and outyears, as required, of obligations, costs, fees, income, and disbursements and provides data to the CFO;

(3) Develops staffing and support service cost estimates for OCRWM activities at Headquarters in coordination with the Director, Office of Human Capital Management (HR);

(4) Develops appropriate plans for repayment of funds for amounts borrowed from the Treasury, in coordination with the CFO;

(5) Develops borrowing and investment strategies and requirements, including cash flow analyses for the NWF, in coordination with the CFO;

(6) Develops and submits an annual report to Congress on OCRWM activities and expenditures;

(7) Directs and monitors the status of the OCRWM-wide approved funding program (AFP);

(8) Directs, prepares, defends, and consolidates OCRWM budgets, including staffing and program requirements, in coordination with the CFO and HR;

(9) In coordination with the CFO and the Inspector General, develops requirements for and administers independent financial and compliance audits of OCRWM activities;

(10) Determines the Defense share of the cost of the waste management system;

(11) In collaboration with the Office of Environmental Management, establishes a fee payment schedule for disposal of defense high-level radioactive waste;

(12) Manages the Standard Contract and any other instruments executed for disposal of spent nuclear fuel and/or high-level radioactive waste;

(13) Conducts program internal financial and compliance reviews of the financial management of OCRWM, including capital equipment, and monitors actual charges to the NWF for equipment and services provided by HR;

(14) Administers the Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste.

b. Chief Financial Officer:

(1) In coordination with OCRWM, develops and maintains financial policy and operating procedures for OCRWM activities and monitors the financial activity of the NWF and the Defense Nuclear Waste Disposal appropriation;

(2) Coordinates fiscal policy matters with OCRWM and Treasury;

(3) Provides financial input to OCRWM for the annual report to Congress on program activities and expenditures;

(4) In coordination with OCRWM, performs all accounting activities related to the Civilian Radioactive Waste Management Program; maintains official accounting records; and maintains liaison with Treasury and the Government Accountability Office (GAO) on operational accounting matters;

(5) Provides monthly accounting reports on the status of nuclear waste activities to OCRWM and to field elements;

(6) Prepares annual financial statements for audit by a certified public accounting firm, in accordance with requirements of the Chief Financial Officers Act;

(7) Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the full-time equivalents (FTEs) authorized.

c. Director, Office of Human Capital Management:

(1) Provides administrative support services to OCRWM on a reimbursable basis and negotiates method by which HR support-services costs at Headquarters are allocated to OCRWM;

(2) Prepares the annual Headquarters operating plan for those support services provided and allocated to OCRWM;

(3) Estimates OCRWM's quarterly obligations for support services at Headquarters and provides estimates and actual costs to the CFO for distribution in the Headquarters accounting system;

(4) Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

d. Director, Office of Procurement and Assistance Management:

Develops and maintains Departmental personal property policies, standards and procedures, and provides contract-related business management advice to OCRWM.

e. Field Elements:

(1) Performs all financial activities related to their involvement with OCRWM and submits appropriate transactions through the DOE accounting system;

(2) Reports all OCRWM disbursement amounts to the CFO;

(3) Provides financial reports to OCRWM, as necessary;

(4) Requests necessary changes in Approved Funding Programs (AFPs) and allotments from OCRWM;

(5) Assures the effective management of Government personal property acquired for, or in use by, OCRWM, in accordance with applicable laws, regulations, and this chapter;

(6) Provides monthly and annual projections of obligations, costs, and disbursements to OCRWM no later than 10 calendar days after the end of each calendar quarter;

(7) Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized;

(8) Provides administrative support services to OCRWM on a reimbursable basis.

f. Assistant Secretary for Environmental Management:

In collaboration with OCRWM, establishes a fee payment schedule for defense high-level radioactive waste and makes payments into the NWF in accordance with that schedule.

g. Inspector General:

Coordinates with OCRWM and the CFO on developing requirements for, and administering, independent audits of OCRWM activities.

h. General Counsel:

Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

i. Assistant Secretary for Congressional and Intergovernmental Affairs:

Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

j. Assistant Secretary for Environment, Safety and Health: Ensures that hours worked and charged to OCRWM activities by employees are in accordance with the policy of this chapter and do not exceed the FTEs authorized.

3. BUDGETING AND FINANCING.

a. Budgeting. Although the Act prescribed triennial budgets, appropriations from the NWF have been provided on an annual basis. The NWF is excluded from apportionment under specific terms of the Act and is subject to the DOE administrative control of funds systems and OMB procedures for budget execution reference in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. In coordination with OCRWM, the CFO will issue allotments and AFPs to the Field Elements involved. Allotments issued for the NWF provide obligational authority only. The Defense Nuclear Waste Disposal appropriation is appropriated and apportioned annually and is subject to OMB and DOE administrative control of funds procedures. For additional information, see the DOE budget directives.

b. Financing. OCRWM's activities are financed by the owners and generators of spent nuclear fuel and high-level radioactive waste. The purchasers execute a contract or other appropriate instrument with DOE that specifies the fee charged and the timing and method of payment.

(1) Nuclear Waste Fund. An annual appropriation from the NWF is required to authorize the commitment and obligation of funds to carry out the purposes of the Act. Such funds shall remain available until expended.

(a) Utilities will pay a one-time fee for domestic civilian spent nuclear fuel resulting from electricity generated and sold prior to April 7, 1983. This fee will be equivalent to an average charge of 1 mill per net kilowatt hour of electricity generated by all such fuel, and will be levied on each kilogram of heavy metal. For electricity generated and sold by a civilian nuclear power reactor on or after April 7, 1983, there will be a fee of 1 mill per net kilowatt hour, payable quarterly in accordance with the contract. The Secretary of Energy will propose an adjustment to Congress whenever the current fee is determined to be inadequate or excessive to meet the total cost of the waste disposal system. Congress may approve or disapprove the proposed adjustment.

(b) Fees paid by other owners or generators of spent nuclear fuel or high-level radioactive waste will be equivalent to those paid by nuclear utilities.

(c) Interest earned on investments and late or underpayment fee charges will be deposited into the NWF.

(d) In the event funds in the NWF are insufficient to meet program needs, the NWF may borrow from the General Fund of the Treasury to support the program to the extent provided in annual appropriation acts.

(2) Defense Nuclear Waste Disposal Appropriation. The Defense Nuclear Waste Disposal appropriation was established by Congress in Fiscal Year (FY) 1993 as an alternative to direct payment by the Department into the Nuclear Waste Fund for the cost of disposing of spent nuclear fuel and high-level radioactive waste resulting from atomic energy defense activities, in accordance with the full-cost-recovery provisions of the Act.

4. ADMINISTRATIVE COST.

a. Definitions.

(1) Program Direct Personnel. All Federal employees assigned or detailed to OCRWM who spend 100 percent of their time on OCRWM activities.

(2) Program Support Personnel. Federal employees at Headquarters or DOE field elements who perform activities in direct support of OCRWM's mission, functions, organizations, and systems but who are not assigned or detailed to OCRWM, and whose work directly benefits OCRWM. Employees in this category may devote 100 percent of their time to the support of OCRWM. Excluded are those Federal personnel who may perform some OCRWM-related work, but who do so primarily as part of larger institutional responsibilities of the Department. Also excluded are personnel involved in functions principally associated with a DOE program other than OCRWM.

(3) Administrative Costs. Include salaries, travel, training, and fringe benefits of Federal employees. They also include administrative support costs, such as costs associated with capital equipment not related to construction, printing and reproduction, public information, rents and utilities, communication services, security investigations, supplies and materials, and transportation and travel.

b. Personnel.

(1) Program direct personnel are identified in the payroll system by the specified nuclear waste appropriation and program values. All program direct employee personnel services costs (salary, leave, and benefits) shall be charged directly to OCRWM.

(2) Program support costs (salary, leave, and benefits) for those employees who spend 100 percent of their time in support of OCRWM activities and all other program support employees personal services costs (that is, salary, leave, and benefits) shall also be charged directly to OCRWM.

(3) The cumulative number of hours worked and charged to OCRWM each fiscal year may not exceed the FTEs authorized.

c. Administrative Support Costs.

(1) Administrative support costs are calculated from either actual expenditures in support of the program or a combination of a percentage of total costs and actual or prorated costs on the basis of FTEs authorized for nuclear waste activities.

(2) When applicable, administrative costs will be charged to and paid directly by OCRWM. As a minimum, support costs provided to OCRWM on a reimbursable basis will be billed monthly, and labor costs will be reimbursed on a biweekly basis.

(a) Headquarters support costs will be processed under the Departmental Administration appropriation and reimbursed annually by OCRWM. OCRWM's estimated quarterly support costs will be obligated at the beginning of each quarter. HR will develop a percentage to distribute OCRWM's portion of the monthly support cost disbursements paid by the Departmental Administration appropriation. HR and the CFO shall compare the estimated obligations, costs, and disbursements to actual amounts and adjust them quarterly, at a minimum, and at yearend.

(b) Field elements will compute support costs from actual expenditures in support of the program or prorated costs based on the number of FTEs assigned to the nuclear waste activities.

(3) Costs for security investigations required for the performance of activities supporting OCRWM will be charged to OCRWM based on the numbers and types of security investigations performed (i.e., full background or limited background) for the applicable fiscal year.

5. ACCOUNTING.

a. Administrative Control of Funds. The CFO and the allottees shall ensure that disbursements and obligations of OCRWM funds do not exceed available disbursement targets and obligational authority.

b. Revenue Recognition. All income is recognized as revenue to the extent of costs incurred. OCRWM income includes fees from utilities and Defense Nuclear Waste Disposal activities, as well as interest income from accounts receivable and investment income.

c. Collections.

(1) The time of remittance will be based on the contracts executed between the purchasers and DOE. Purchasers will not be billed for payments due to the NWF unless the payment is either incorrect or not received on time. An account receivable will be established quarterly to reflect the estimated amount due from each purchaser.

(2) Fees for disposal will be submitted to Headquarters via the Treasury Cash Link System or the Federal Reserve's Automated Clearing House System using agency location code 89-00-0001.

(3) All payments shall be made no later than the last business day of the month following each assigned 3-month period, which DOE provides to the purchaser.

(4) The accounts receivable will be adjusted to reflect actual payment. A bill shall be prepared for all delinquent accounts and submitted to the purchaser promptly. In addition, the bill will specify the interest payable in accordance with the terms of the contract.

d. Plant and Capital Equipment.

(1) Separate identification of OCRWM capital equipment is required. This includes tagging and tracking in both the property management and accounting systems.

(2) Transfers of Property and Equipment.

(a) Capital Equipment Transfer Vouchers, DOE F 2240.7, shall be coordinated with the OCRWM Capital Equipment Coordinator, prior to submission for financial processing.

(b) Any equipment items that are acquired with funds other than those of the NWF or the Defense Nuclear Waste Disposal appropriation and are subsequently dedicated to nuclear waste on a permanent basis should be transferred to Fund Type 57. If required, OCRWM will provide funding and advise allottee to obligate and disburse the funds for the net book value of the equipment transferred.

(3) Sale and Disposal of OCRWM Equipment. Property and equipment excess to the possessor's needs shall first be reused, if needed, within OCRWM. After equipment has been screened for reuse within OCRWM, it shall be offered for sale to other DOE and government programs at fair market value. Any remaining

equipment may be sold by program contractors at fair market value through auction, sale to a commercial vendor, or repurchased by the original vendor. All equipment sales proceeds, less reasonable selling costs, shall be returned to OCRWM.

(4) Proceeds from the Sale of Equipment. Proceeds from the sale of equipment owned by OCRWM must be returned to the NWF rather than submitted to Treasury.

6. BORROWING AND REPAYMENT. The Act authorizes the Secretary to borrow from the Treasury if at any time moneys available in the NWF are insufficient to meet disbursement requirements. These borrowings shall not exceed amounts provided in appropriation acts and must be repaid into the General Fund of the Treasury, with interest, from the date the appropriations are disbursed until the date of repayment. Funds borrowed from the Treasury cannot be used for investment purposes.

7. CASH MANAGEMENT. Financial transactions involving OCRWM activities shall be accomplished in accordance with Nuclear Waste Fund Cash Management Procedures to ensure availability of cash to meet program requirements and minimize excess cash balances.

8. REPORTS AND AUDITS.

a. Reports.

(1) The DOE accounting system provides all financial information used for report of NWF activities.

(2) In addition to the reports required by the Treasury and OMB, the OCRWM Office of Financial Management prepares the following reports for:

(a) Utility Companies. A Quarterly Statement of Payments Made to the Nuclear Waste Fund provides all purchasers of nuclear waste disposal services a cumulative statement of purchasers' payments and liabilities to the fund.

(b) Department of the Treasury. A Special Funds Report is annually provided to Treasury for inclusion into their annual report to Congress on the status of the NWF. This Special Funds Report shall show receipts, outlays, and equity of the NWF.

(c) Program Office. A Nuclear Waste Fund Statement of Activity and Statement of Assets and Liabilities reflecting the

financial status of the NWF is available monthly from the DOE I-MANAGE Data Warehouse.

(3) The Act requires OCRWM to report to Congress annually on Program activities and expenditures.

(4) The CFO reviews external reports and provides financial input as necessary. Additional external reports are developed by OCRWM as requested.

b. **Audits.** In accordance with section 304(d) of the Act, as amended, an annual audit of OCRWM will be made by the Comptroller General and DOE shall make available at that time all books, records, accounts, and materials as deemed necessary. In addition, OCRWM shall contract with a certified public accounting firm for an annual financial and compliance audit in coordination with the Inspector General on audit scope, deliverables, and reporting requirements. The Inspector General will also perform financial and performance audits of OCRWM activities in accordance with Public Law 95-452, the Inspector General Act of 1978, as amended.

CHAPTER 20

URANIUM ENRICHMENT DECONTAMINATION AND DECOMMISSIONING FUND

1. INTRODUCTION.

a. Purpose. To establish policies and procedures for the financial management, accounting, budget preparation, cash management of the Uranium Enrichment Decontamination and Decommissioning Fund, referred to hereafter as the Fund.

b. Applicability. This chapter applies to all Departmental elements, including the National Nuclear Security Administration, and activities that are directly or indirectly involved with the Fund.

c. Requirements and Sources of the Fund.

(1) The Energy Policy Act of 1992 (EPACT) requires DOE to establish and administer the Fund. EPACT authorizes that the Fund be available to the Secretary of Energy (Secretary) subject to appropriations for decontamination and decommissioning (D&D) and remedial action (RA) activities at the uranium enrichment facilities (UEFs), and for partial reimbursement of uranium and thorium licensees for costs of D&D, RA, and reclamation activities at uranium and thorium processing sites that the Secretary determines are attributable to byproduct material generated as an incident of sales to the United States. After adjusting for inflation, $715 million of the Fund will be available for reimbursement as follows: to uranium licensees, $350 million (adjusted for inflation), and to thorium licensees, $365 million (adjusted for inflation). All such activities are to be funded from the Fund. EPACT, as amended, authorizes deposits to the Fund of up to $518.2 million per fiscal year, adjusted for inflation.

(2) Pursuant to EPACT, the Secretary is authorized to expend resources from the Fund for D&D activities until the Secretary certifies and Congress concurs, by law, that such activities are complete. For RA activities, the Secretary is authorized to expend Fund resources to the extent the amount in the Fund is sufficient. To the extent the Fund is insufficient, the Department shall be responsible for the cost of RA.

(3) The Secretary is required to state in the Fifth Triennial report to Congress (15 years after October 24, 1992, the date of enactment) recommendations for the reauthorization of the program and the Fund as established under Title XI of EPACT.

d. Source of Funds - ***Reserved***

2. DEFINITIONS.

a. Uranium Enrichment Facilities Definitions.

(1) Decontamination and Decommissioning. Activities, other than response actions or corrective actions, undertaken to D&D the Department's inactive UEFs that have residual radioactive or mixed radioactive and hazardous chemical contamination, including depleted tailings.

(2) Uranium Enrichment. The separation of uranium of a given isotopic content into two components, one with a higher percentage of a fissile isotope and one with a lower percentage.

(3) Domestic Utility. Any utility in the United States that has purchased separative work units (SWUs) from DOE for purposes of commercial electricity generation, during the period beginning in 1945 through October 23, 1992.

(4) Special Assessment. The special assessment levied on domestic utilities for payment into the Fund.

b. Uranium or Thorium Processing Site Definitions.

(1) Active Uranium or Thorium Processing Site.

(a) Any uranium or thorium processing site, including the mill, containing byproduct material for which a license for the production at that site that:

1. was in effect on January 1, 1978;

2. was issued or renewed after January 1, 1978; or

3. for which an application for renewal or issuance was pending on or after January 1, 1978.

(b) Any other real property or improvement on such real property determined by the Secretary or by a State as

permitted under section 274 of the Atomic Energy Act of 1954 to be in the vicinity of such a site and contaminated with residual byproduct material.

(2) Byproduct Material, per the Atomic Energy Act. The tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content.

(3) Decontamination, Decommissioning, Reclamation, and Other Remedial Actions at Uranium and Thorium Processing Sites. Work performed before or after the enactment of EPACT that is necessary to comply with all applicable requirements of the Uranium Mill Tailings Radiation Control Act of 1978 (42 U.S.C. 7901 et. seq.), or where appropriate, with requirements established by a State that is a party to a discontinuance agreement under section 274 of the Atomic Energy Act.

3. RESPONSIBILITIES.

a. Assistant Secretary for Environmental Management (EM) shall:

(1) Develop the financial objectives and requirements of related Fund activities, including preparation of the Cash Flow Analysis Report, and submit requirements to the Office of the Chief Financial Officer (CFO);

(2) Provide to the CFO estimates of current fiscal year and outyears, as required, for obligations, costs, special assessments, and income and disbursements;

(3) Establish the program values for costs and collections for D&D and RA activities in coordination with the CFO;

(4) Direct and monitor the financial activity of the Fund in coordination with the CFO;

(5) Develop the policy and the process for billing and collecting the special assessment from domestic utilities in coordination with the CFO;

(6) Develop investment requirements and an appropriate cash flow analysis in coordination with the CFO;

(7) Coordinate the development of required input into the Secretary's Triennial Report to Congress on the status of D&D activities, RA

activities at the UEF's, and reimbursement of uranium and thorium licensees in accordance with EPACT;

(8) Direct and monitor the status of Headquarters and field approved funding programs and allotments;

(9) Direct, prepare, defend, and consolidate Headquarters, Oak Ridge Office, and Portsmouth Paducah Project Office formulated budgets for the Fund, including staffing and program requirements, and submit them to the CFO;

(10) Prepare and issue regulations governing reimbursement of individual uranium and thorium processing site licensees;

(11) Prepare and issue regulations governing the collection of the special assessment of domestic utilities;

(12) Process all requests for reimbursement from uranium and thorium processing site licensees in coordination with the CFO;

(13) Oversee the annual invoicing of the special assessment and coordinate with the Oak Ridge Office on collection of unpaid invoices;

(14) Oversee the reconciliation of adjustments to special assessment invoices;

(15) Submit a Triennial Report to Congress that addresses the adequacy of the Fund to meet EPACT requirements over the lifetime of the Fund.

b. The Office of Chief Financial Officer shall:

(1) Develop and maintain financial policy for Fund activities in coordination with EM;

(2) Perform all accounting and related Fund activities and process appropriate transactions into the DOE accounting system;

(3) Coordinate and analyze budget data for D&D and RA activities;

(4) Coordinate fiscal policy matters with EM and the Department of the Treasury (Treasury);

(5) Concur on EM program values for costs and revenues for D&D activities;

(6) Provide input to Treasury for the annual report to Congress regarding the financial condition and operations of the Fund during the previous fiscal year;

(7) Serve as a focal point for all official accounting operational matters regarding Fund activities, maintain official accounting records, and maintain liaison with Treasury and the Government Accountability Office, in coordination with EM, regarding operational accounting matters;

(8) Review regulations prepared by EM governing reimbursement of individual uranium and thorium processing site licensees and implementation of the special assessment of domestic utilities;

(9) Review investment requirements for compliance with DOE policy and Treasury regulations, initiate investment transactions with Treasury, and maintain appropriate documentation of the investment transactions;

(10) Submit all documentation received from individual uranium and thorium processing site licensees for reimbursement of D&D, RA, and reclamation costs to EM for approval;

(11) Monitor and incorporate disbursement notifications from finance offices in the daily investment activities; and

(12) Provide monthly disbursement targets to the DOE elements responsible for disbursing D&D funds.

c. Oak Ridge Office and the EM Consolidated Business Center shall:

(1) Perform all financial activities related to its involvement with D&D, RA and reclamation activities at DOE UEFs and uranium and thorium processing sites and submit appropriate transactions into the DOE accounting system;

(2) Provide financial and accounting reports to EM, as necessary;

(3) Request necessary changes in the approved funding programs and allotments from EM;

(4) Prepare and submit field project budgets to EM in accordance with the CFO's annual budget call;

(5) Monitor the financial activity of the Fund in coordination with EM; and

(6) Develop required input to the Secretary's Triennial Report to Congress, in accordance with EPACT, and transmit the report to EM Headquarters. This includes the status of D&D and RA activities, along with analysis of the adequacy of the Fund to meet cleanup requirements.

d. Oak Ridge Office shall:

(1) Report all Fund activities relating to special assessment collections and disbursement amounts to the CFO;

(2) Provide projected collections and outlays for the Fund to the Energy Finance and Accounting Service Center (EFASC), along with investment strategies for any funds in excess of current outlay projections;

(3) Perform the billing and assist EFASC on the collection of the special assessment from domestic utilities;

(4) Reconcile individual utility adjustments to special assessment invoices;

(5) Provide EM with the necessary data to determine the appropriate portion of the special assessment for each domestic utility; and

(6) At the direction of EM, make disbursements to uranium/thorium producers.

e. Inspector General shall:

Coordinate with EM and the CFO on developing requirements and administer independent audits of D&D and RA Fund activities.

4. BUDGET FORMULATION. The instructions for budget formulation are found in the DOE guidance on budget formulation.

5. BUDGET EXECUTION. The Fund is subject to DOE administrative control of funds systems and Office of Management and Budget (OMB) procedures for budget execution as outlined in OMB Circular A-11, "Preparation, Submission, and Execution of the Budget". The CFO will issue allotments and approved funding programs to the DOE elements involved. This process is described in the DOE Budget Directives. Allotments issued for the Fund provide obligational authority only.

6. ACCOUNTING.

a. Administrative Control of Funds. Allottees of the Fund are responsible for controlling funds allocated to them, including the certification of fund availability for each transaction before obligation, in accordance with Chapter 2, "Administrative Control of Funds". Because of the nature of the Fund, disbursement targets will be issued separately by the CFO based on input from, and coordination with, EM. Accordingly, the CFO and the allottees shall ensure that Fund disbursements and obligations do not exceed available disbursement targets and obligational authority.

b. Collections of the Special Assessment - ***Reserved***

c. Reimbursements.

(1) The amount of reimbursement paid to any licensee of an active uranium site shall not exceed an amount equal to $6.25 per dry short-ton (adjusted for inflation) of byproduct material that was located on the EPACT's enactment at the site of the activities of such licensee and generated as an incident of sales to the United States. Aggregate payments made to uranium and thorium licensees shall not exceed $715 million (adjusted for inflation).

(2) The Secretary shall determine, as of July 31, 2008, whether the amount authorized to be appropriated, when considered with the $6.25 per dry short-ton limit on reimbursement, exceeds the amount reimbursable to the licensees. If there is an excess, the Secretary may allow reimbursement in excess of $6.25 per dry short-ton on a prorated basis of such sites where the reimbursable costs exceed $6.25 per dry short-ton.

d. Authorizations, Obligations, Costs, and Disbursements, as authorized by EPACT, will be performed in accordance with this Handbook.

7. CASH MANAGEMENT.

a. General. This section provides the cash management requirements and general procedures applicable to D&D and RA activities at UEFs. D&D, RA, and reclamation activities shall be in accordance with established cash management practices and requirements to ensure efficient management of cash and minimize excess cash balances.

b. Documentation. Cash management plans for EM activities shall be supported by the following documentation:

(1) Cash Flow Analysis provides a monthly summary of all projected cash activity of the Fund, and is adjusted monthly to reflect actual

cash activity. The report will include the projected collections of the special assessment;

(2) **Investment Plan** provides a detailed status of Fund investments by amount, type, maturity (date and value), and yield to maturity;

(3) **Program Operating Plan** is a summary-level document prepared by EM that states the program objectives and requirements by major elements and the current fiscal year forecasted obligations, costs, fees, income, and disbursements. Field and Headquarters operating plans will be provided to EM by all program participants. This document is required for cash management purposes and should be updated and submitted 15 calendar days after the end of the each month. The Program Operating Plan consists of the following:

(a) **Obligation Plan.** The Obligation Plan provides a yearly projection, by month, of the anticipated obligations. This plan is updated monthly to change forecasts, if necessary, and to reflect actual data received;

(b) **Cost Plan.** The Cost Plan provides a monthly projection of the anticipated accrued costs. This plan is updated monthly to change forecasts, if necessary, and to reflect actual data received;

(c) **Disbursement Forecast.** The Disbursement Forecast provides an estimate of the projected disbursements required by each office to liquidate program obligations. The forecast is updated monthly as actual data are received, and to reflect revised program requirements. The forecast is expected to present a life-cycle baseline of Fund activities; and

(d) **Fee/Income Forecast.** The Fee/Income Forecast provides projections by EM for annual assessments received from domestic utilities and projections of interest that will be earned by the Fund.

c. **Process.**

(1) Cash management of the Fund is a comprehensive process beginning with the Program Operating Plan. Before the beginning of each fiscal year, each field office will provide the documentation listed in paragraphs 7b(3)(a), (b), (c) and (d) above.

EM will prepare the cash management plan based on input from program participants and submit it to the CFO. Contingent on congressional authority, contingencies, and/or mandates, the program requirements are translated into projected obligations, costs, and disbursements.

(2) The next phase involves execution of the plan based on the projected obligations, costs, disbursements and frequent reviews by program officials and the CFO of actual versus planned performance. Revisions to the projections are made monthly. The comparisons and subsequent revisions have direct bearing on the investment strategy and execution, which are integral parts of the cash management of the Fund.

d. Investments.

(1) Authorization. EPACT authorizes the Secretary to invest amounts claimed within the Fund in obligations of the United States. Invested amounts include appropriations deposited to the Fund. These obligations shall have maturities and interest rates determined by the Secretary of the Treasury to be appropriate for what DOE determines to be the needs of the Fund. Although EPACT provides that the Secretary of the Treasury will select investments, Treasury relies on DOE to make investment decisions, as do other agencies with special funds.

(2) Type. The Fund can be invested in four types of U.S. Treasury securities: bonds, notes, bills, and one-day certificates. In general, longer term securities, such as Treasury bonds and notes, provide a higher expected rate of return but are subject to variations in market values that increase with the time to maturity. Shorter term securities are subject to more volatility in expected rates of return but have market values that are more stable.

(3) Investment Policy. The investment policy of the Fund is to provide cash when required to meet program expenditures while maximizing investment earnings.

(4) Strategy. The investment strategy of the Fund is to provide funds when required to meet program disbursements while maximizing earnings to ensure that Fund objectives are met. To meet these objectives, investments will be made such that maturity dates approximate the need for funds. Immediate cash needs will be invested in Treasury one-day certificates. Short-term cash needs will be invested in either Treasury bills or Treasury notes and bonds with near-term maturity dates. Treasury notes or bonds with

longer term maturities will be used for long-term cash requirements. In the event that investments are impacted by changes to disbursement schedules, investments may be sold before their maturity date and the proceeds reinvested in securities that more closely match disbursement needs.

e. Requirements. The following requirements for D&D Fund activities are in addition to established cash management requirements:

(1) Disbursement Reporting. To facilitate the identification of excess cash balances available for investment in one-day certificates with Treasury, each organization that certifies Fund payments shall report daily disbursements to the CFO via telephone no later than 1:00 p.m., Eastern Standard Time. A facsimile confirmation of the disbursement amount should be issued within 24 hours of the phone call; and

(2) Reconciliation. The facsimile disbursement reports are to be reconciled monthly to the SF-224, Statement of Transactions, and the accounting data reported in the DOE accounting system.

8. REPORTING.

a. Financial Report. Financial reporting of the Fund will be accomplished with the regular DOE accounting system reports. In addition to the normal Treasury and OMB requirements, the CFO will prepare annually a special fund report to Treasury for input into their annual report to Congress on the status of the Fund. The report shall show receipts, outlays, and equity of the Fund.

b. Program Report. EM is responsible for preparing the following report for Congress:

Within 3 years of the date of enactment of EPACT, and at least once every 3 years thereafter, the Secretary shall report to Congress on the status of D&D activities in response to EPACT. The fifth Triennial Report shall include an assessment of progress made under section 1101 of EPACT and recommendations of the Secretary for the reauthorization of the program and Fund.

CHAPTER 21

FINANCIAL CLOSEOUT

1. INTRODUCTION.

a. Purpose. This chapter describes the financial policy for the closeout of contracts and other acquisition, assistance (e.g., grants and cooperative agreements), and interagency instruments. Nonfinancial closeout procedures for acquisition contracts are described in the Federal Acquisition Regulation (FAR), parts 4 and 42.

b. Applicability. This chapter applies to all Departmental elements and their contractors performing work for the Department of Energy (DOE) as provided by law or contract as implemented by the appropriate contracting officer.

c. Policy. DOE's policy is to close out and retire contractual instruments in a timely manner following their completion or termination. Timing standards for closing contracts identified in FAR 4.804-1 will be followed.

2. RESPONSIBILITIES.

a. Head of the Contracting Activity (HCA). The HCA shall ensure that all financial, administrative, security, patent, and property matters are settled or accomplished expeditiously.

b. Contracting Officer (CO). The CO has principal responsibility for initiating, coordinating, and certifying closeout. The CO will establish target dates for completion and coordinate with the field Chief Financial Officer (field CFO) or equivalent the recoupment of any outstanding advances or receivables as described in paragraph 5b of this chapter. In addition, the CO will also determine if the unpaid balance is appropriate and initiate deobligation and/or closeout action by providing a copy of the contract modification to the field CFO or equivalent.

c. Field Chief Financial Officer (field CFO) or equivalent. The field CFO or equivalent is responsible for the financial accounting settlement. After receipt of all necessary clearance requirements, CO final payment approval, and any required contractor certification documents, final payment may be authorized and final adjustment of obligations may be recorded. A collateral function of the field CFO or equivalent involves the periodic review of unpaid obligations as prescribed in Chapter 5, "Accounting for Obligations." As part of this review, the field CFO or equivalent identifies inactive (no financial activity) contracts and requests

a determination from the appropriate CO as to the validity of the unpaid balance.

3. **CLOSEOUT DOCUMENTS.** Closeout documents provide physical evidence that conditions necessary to close out and retire the contract have been successfully fulfilled. As closeout document requirements differ for cost reimbursement contracts, fix-price contracts, and purchase orders, the HCA or designee shall conform the required documents to the extent warranted by the individual circumstances and applicable procurement regulations, such as FAR 4.804-5, and advise the finance office accordingly. The CO will assemble and forward to the cognizant field CFO or equivalent a closeout package containing documents identified by the HCA.

4. **FINANCIAL CLEARANCE.**

   a. **Review and Reconciliation of Financial/Closeout Records.** The field CFO or equivalent should immediately confirm that subsidiary ledger/records and contractor closeout documents agree with Departmental accounting records. The field CFO or equivalent shall reconcile differences before proceeding with further financial closeout. Any discrepancy with the contractor closeout documents should be resolved with the CO.

   b. **Review of Final Contract Modification.** Under cost reimbursable contracts, the field CFO or equivalent should review and confirm the final contract modification establishing the final contract price. Any prior-year funds shall be deobligated in accordance with Chapter 5, "Accounting for Obligations."

   c. **Review of Final Invoice.** Following CO approval, the field CFO or equivalent should examine and process for payment final invoices in accordance with Departmental and office procedures, and also determine the applicability of any final payment timing requirements (for example, nature of the instrument, Prompt Payment Act, or administrative completion).

5. **FINANCIAL CLOSEOUT.**

   a. **Settlement Objectives.** From a financial management standpoint, closeout involves settling all financial and accounting matters between DOE and the contractor. The field CFO or equivalent will perform these actions as discussed in paragraph 2c above after receipt of all necessary clearance requirements. Closeout ultimately will result in clearing and removal of contractor accounts from DOE's books incident to the subsequent annual closing of Departmental accounts.

(1) Financial settlements objectives include the following:

(a) Verification and mutual agreement as to costs incurred and payments made to the contractor;

(b) Confirmation, establishment, and collection of any refunds, credits, or other payments owed to DOE;

(c) Verification and adjustment of amounts obligated;

(d) Proper disposition of any retained fee or patent withholding;

(e) Final payment to the contractor; and

(f) Closure of payments cleared or other financing arrangements.

(2) Accounting settlement objectives include the following:

(a) Verification of uncosted and unpaid balances;

(b) Identification and collection of advances or receivables owed to DOE;

(c) Verification, adjustment, and disposition of physical assets, including work-in-progress, completed-asset, depreciation, memorandum accounts, and inventory;

(d) Confirmation or disposition of retained funds or withholdings;

(e) Confirmation and liquidation of outstanding liabilities;

(f) Analysis and adjustments of accounts involving multiple appropriations and program value designations;

(g) Analysis and adjustment of any special-purpose accounts;

(h) Reconciliation of Departmental accounts and subsidiary records; and

(i) Verification of adequate and proper documentation.

b. **Recovery of Advances.** All outstanding advances shall be recovered in accordance with DOE and contractual requirements. Absent provisions in the contract, the field CFO or equivalent shall determine if the advance balance will be returned to DOE or liquidated against amounts owed to the contractor. In the latter case, these advances should be reclassified as accounts receivable.

c. **Government-Owned Property.** All Government-owned property that has been furnished, loaned, constructed, fabricated, or contractor-acquired under the contract shall be accounted for. DOE property clearance is required and shall be included in the closeout package. Inventories, real property, personal property, and related depreciation in the Departmental accounts should be reconciled and cleared in accordance with applicable property regulations (reference DOE Acquisition Regulation 945.6, "Reporting, Redistribution, and Disposal of Contractor Inventory").

d. **Final Payment.** This represents the final act of closeout and is the last opportunity to effect any reduction or offset for amounts owed to the Government.

e. **Closing Payments Cleared Financing Arrangements.** The amount authorized shall be reconciled and appropriately modified to reflect any final obligation change. The field CFO or equivalent shall coordinate termination of the arrangement with the CO and contractor as appropriate, and in accordance with Treasury requirements.

f. **Financial Reports and Statements.** Contractors shall complete all financial, accounting, and budgetary reports in accordance with the contract's terms and conditions. Likewise, integrated contractors shall be required to prepare and submit to DOE financial reports and statements that properly report all their financial activity or information through physical and administrative completion.

g. **Documents and Records Disposition.** Government-owned financial documents and records in the possession of contractors shall be accounted for and disposed of in accordance with DOE O 243.1, "Records Management Program." The contractor shall be required to notify DOE when such statements, documents, and records are available for examination.

6. **INTEGRATED AND, IF APPLICABLE, OTHER CONTRACTS.** The field CFO or equivalent must ensure that the closeout document requirements are met, the reciprocal accounts of the contractor and DOE are closed, and that the required accounting entries based on the final approved voucher are posted. Specific requirements include the following:

a. **Undelivered Savings Bonds of Contractor Employees.** The field CFO or equivalent shall transmit undelivered savings bonds and bond schedules held by Headquarters or field elements to the Department of the Treasury, Bureau of Public Debt, Washington, DC 20026. The field CFO or equivalent also shall direct any subsequent claim for an undelivered bond to Treasury.

b. **Other Outstanding or Unclaimed Items.** Schedules for other unclaimed items held by Headquarters or the field element should be forwarded to the Chief Financial Officer (CFO). If the contractor has been reimbursed for such items, the amounts shall be refunded to DOE and deposited in the appropriate Treasury deposit fund account (reference Volume I Treasury Financial Manual 6-3000, "Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered"). If DOE assumes any contractor encumbrances under the contract, the contractor will assign to DOE the rights and claims for the items that are or would be reimbursable under the contract.

c. **Insurance.** A determination shall be made by the field CFO or equivalent that credit has been received or otherwise accounted for or assigned to DOE with respect to dividends, returns of premiums, return contributions, or other credits due under any insurance policies.

d. **Pension and Other Post-Contract Employee Benefits.** The field CFO or equivalent shall account for any refunds or credits that may be owed to DOE because of reimbursed pension costs. The HCA, in coordination with the DOE contractor industrial relations office, is responsible for any special pension arrangements or other post-contract employee benefits for a terminating contractor and for ensuring that the pension funds or funds for other post-contract employee benefits are disposed of in accordance with such arrangements.

7. **CONTRACT TRANSFERS.** When it is determined necessary or advantageous to transfer contract administration from one office to another, the receiving office must concur with the transfer and establish a mutually acceptable transfer date. Thereafter, the receiving office must fulfill closeout responsibilities in accordance with Chapter 12, "Inter-Entity Transactions."

8. **SUBCONTRACTS-CLOSEOUT RESPONSIBILITY.** DOE is not responsible for any direct action in the closeout of prime contractor subcontracts unless contract items or other directives require it.

9. **FINANCIAL RETIREMENT.** After completing financial closeout, physical records, documents, and electronic records must be retired.

a. **Physical Record Retirement.** The field CFO or equivalent shall retire accountable officers' records and other formal financial records in accordance with applicable Federal requirements and DOE O 243.1, "Records Management Program."

b. **Electronic Records Retirement.** The field CFO or equivalent shall print or transfer electronic records to a safeguarded electronic medium or microfilm, as appropriate, at the end of the fiscal year and store them in accordance with Federal records retention requirements and DOE O 243.1, "Records Management Program".

c. **Standard Accounting and Reporting System (STARS).** The field CFO or equivalent should close the contract in STARS or, in the case of power marketing administrations, in their accounting systems.

CHAPTER 22

DIRECT LOANS AND LOAN GUARANTEES

1. PURPOSE. This chapter establishes the Department of Energy (DOE) accounting policy and procedures for direct loans and loan guarantees for non-Federal borrowers.

2. APPLICABILITY.

   a. Departmental Applicability. The applicability of this chapter is specified in Chapter 1, "Accounting Overview."

   b. DOE Contractors. This chapter does not apply to contractors.

3. REQUIREMENTS.

   a. Federal Credit Reform Act.

      The policies and procedures for credit programs reflect the requirements of the "Federal Credit Reform Act of 1990 (FCRA)," as amended. The FCRA is found at Title V of the "Congressional Budget Act of 1974," as amended by section 13201 of the "Omnibus Budget Reconciliation Act of 1990," and by section 10117 of the "Balanced Budget Act of 1997," and codified in Title 2, United States Code (USC), Section 661.

      The major purposes of the Act are to: (1) measure more accurately the costs of credit programs; (2) place the cost of credit programs on a budgetary basis equivalent to other federal spending; (3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and (4) improve the allocation of resources among credit programs and between credit and other spending programs. The text of the FCRA is available on the Credit Reform home page, which is maintained by the Department of the Treasury (Treasury). This information is located at: http://www.fms.treas.gov/ussgl/creditreform/index.html on the internet.

   b. Accounting Standards.

      The accounting standards for direct and guaranteed loans concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

      Although direct loans disbursed and outstanding are recognized as assets, and loan guarantees outstanding are recognized as liabilities, they are discussed in this section simultaneously as they are in SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees."

      (1) Post-1991 Direct Loans. Refers to direct loan obligations made on or after the beginning of FY 1992, i.e., after September 30, 1991, and the resulting direct loans. Direct loans disbursed and

outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

(2) Post-1991 Guarantees. Refers to loan guarantee commitments made on or after the beginning of FY 1992, i.e., after September 30, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed. One hundred percent guaranteed loans that are financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees.

(3) Cohort. OMB Circular A-11 states that cohort means all direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year (except as provided below for loan guarantees that are modified). For direct loans and loan guarantees for which a subsidy appropriation is provided for one fiscal year, the cohort will be defined by that fiscal year. For direct loans and loan guarantees for which multi-year or no-year appropriations are provided, the cohort is defined by the year of obligation. Direct loans and loan guarantees that are made from supplemental appropriations will be recorded in the same cohort as those that are funded in annual appropriations acts. These rules apply even if the direct loans or guaranteed loans are disbursed in subsequent years. "Self-pay" programs, defined as direct loan or loan guarantee programs for which no subsidy appropriation has been made, but for which the subsidy cost is paid by the borrower; shall assume that the cohort is the fiscal year in which the direct loan or the loan guarantee has been formally committed and the subsidy has been paid by the borrower.

Cohort accounting applies to post–1991 direct loans and loan guarantees and loan guarantees that have been modified. Post–1991 direct loans or loan guarantees remain with their original cohort throughout the life of the loans, even if they are modified. For purposes of budget presentation, cohorts will be aggregated. However, accounting and other records must be maintained separately for each cohort.

(4) Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. A subsidy expense is recognized for direct or guaranteed loans

disbursed during a fiscal year. The amount of the subsidy expense equals the present value of estimated cash outflows over the life of the loans minus the present value of estimated cash inflows, discounted at the interest rate on marketable Treasury securities of similar maturity to the cash flows of the direct loan or loan guarantee for which the estimate is being made (hereinafter referred to as the applicable Treasury interest rate). Implementation guidance for preparing, utilizing and reporting credit program subsidy costs are provided in "Preparing and Auditing Estimates for Direct Loans and Loan Guarantees," Federal Financial Accounting and Auditing Technical Releases 3 and 6, published by the Accounting and Auditing Policy Committee (AAPC) sponsored by FASAB at: http://www.fasab.gov/aapc/technicl.html on the Internet.

(a) For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately among interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

(b) The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

(c) Guarantees of post–1991 loans that are financed by the FFB are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees. The direct loan financing account for these loans will collect and hold the subsidy payment from the program account. This balance, together with interest earnings, will be available to pay the FFB in the event of default by the non-Federal borrower.

(d) The default cost of direct loans or loan guarantees results from any anticipated deviation, other than prepayments by the borrowers, from the payments schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected payment delinquencies and omissions minus net recoveries. Projected net recoveries include the amounts that would be collected from the borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

(e) The present value of fees and other collections is recognized as a deduction from subsidy costs.

(f) Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms.

(5) Subsidy Amortization and Re-estimation. The subsidy cost allowance for direct loans is amortized by the interest method using the interest rate that was used to calculate the present value of the direct loans when the direct loans were disbursed, after adjusting for the interest rate re-estimate. The amortized amount is recognized as an increase (i.e., when effective interest exceeds nominal interest) or decrease (i.e., when nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period times the stated interest rate. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) times the applicable Treasury interest rate.

(a) Interest is accrued and compounded on the liability for loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities when the guaranteed loans were disbursed, after adjusting for the interest re-estimate. The accrued interest is recognized as interest expense.

(b) Credit programs should re-estimate the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees as required in SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees." There are two kinds of re-estimates: (1) interest rate re-estimates, and (2) technical/default re-estimates. Entities should measure and disclose each program's re-estimates in these two components separately. An increase or decrease in the subsidy cost allowance or loan guarantee liability resulting from the re-estimates is recognized as an increase or decrease in subsidy expense for the current reporting period.

1 An interest rate re-estimate is a re-estimate due to a change in interest rates from the interest rates that were assumed in budget preparation and used in calculating the subsidy expense to the interest rates that are prevailing during the time periods in which the direct or guaranteed loans are disbursed. Credit programs may need to make an interest rate re-estimate for cohorts from which direct or guaranteed loans are disbursed during the reporting year. If the assumed interest rates that were used in calculating the

subsidy expense for those cohorts differ from the interest rates that are prevailing at the time of loan disbursement, an interest rate re-estimate for those cohorts should be made as of the date of the financial statements.

2 A technical/default re-estimate is a re-estimate due to changes in projected cash flows of outstanding direct loans and loan guarantees after reevaluating the underlying assumptions and other factors that affect cash flow projections as of the financial statement date, except for any effect of the interest rate re-estimates explained in (1) above. In making technical/default re-estimates, reporting entities should take into consideration all factors that may have affected various components of the projected cash flows, including defaults, delinquencies, recoveries, and prepayments. The technical/default re-estimate should be made each year as of the date of the financial statements.

(6) Criteria for Default Cost Estimates. The criteria for default cost estimates apply to both initial estimates and subsequent re-estimates. Default costs are estimated and re-estimated for each program on the basis of separate cohorts and risk categories. The re-estimates take into account the differences in past cash flows between the projected and realized amounts and changes in other factors that can be used to predict the future cash flows of each risk category.

(a) In estimating default costs, the following risk factors are considered:

1 loan performance experience;

2 current and forecasted international, national, or regional economic conditions that may affect the performance of the loans;

3 financial and other relevant characteristics of borrowers;

4 the value of collateral to loan balance;

5 changes in recoverable value of collateral; and

6 newly developed events that would affect the performance of the loan.

Improvements in methods to re-estimate defaults also are considered.

(b) Each credit program shall use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts with significant amounts carry a high weight in risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

(c) The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a database shall be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

(7) Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to Treasury is recognized as interest expense. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expense. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees. Costs should be recognized as directed in SFFAS No. 4, "Managerial Cost Accounting Standards and Concepts." Fees should be assessed as directed in OMB Circular A-25, "Fees Assessed for Government Services, revised."

(8) Modification of Direct Loans and Loan Guarantees. The term "modification" means a federal government action, including new legislation or administrative action that directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

(a) Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are considered re-estimates, or workouts as defined below, or are permitted under the terms of existing contracts.

(b) Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of

direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

(c) The term "modification" does not include subsidy cost re-estimates, the routine administrative workouts of troubled loans, and actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent re-estimates.

(9) Modification of Direct Loans. With respect to a direct or indirect modification of post-1991 direct loans, the cost of modification is the excess of the pre-modification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

(a) When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan's maturity. That amount is discounted at the original discount rate (the rate that originally was used to calculate the present value of the direct loan, when the direct loan was disbursed).

(b) The changes in the book value of post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification normally will differ due to the use of different discount rates or different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

(10) Modification of Loan Guarantees. With respect to a direct or indirect modification of post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the pre-modification liability of those loan guarantees. The modification cost is recognized as modification expense when the loan guarantees are modified.

(a) The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time

of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed).

(b) The change in the amount of liability of post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

(c) For those performing direct loans or loan guarantees that are part of a "self-pay" program and that are modified at the request of the borrower or upon mutual agreement of the borrower and the issuing/guaranteeing agency, any increase in subsidy amount shall be paid by the borrower.

(d) For those direct loans or loan guarantees that are part of a "self-pay" program and that are modified as the result of a borrower default and a subsequent restructure of the loan or guarantee terms, any increase in subsidy as the result of a re-estimate shall be paid utilizing funds from Treasury under the permanent and indefinite authority of the restructuring agency.

(11) Sale of Loans. The sale of post-1991 direct loans is a direct modification.

(a) The cost of modification is determined on the basis of the pre-modification value of the loans sold. If the pre-modification value of the loans sold exceeds the net proceeds from the sale, the excess is the cost of modification, which is recognized as modification expense.

(b) For a loan sale with recourse, potential losses under the recourse or guarantee obligations are estimated, and the present value of the estimated losses from the recourse is recognized as subsidy expense and as a loan guarantee liability when the sale is made.

(c) The book value loss (or gain) on a sale of direct loans equals the existing book value of the loans sold minus the net proceeds from the sale. Since the book value loss (or gain) and the cost of modification are calculated on different bases, they will normally differ. Any difference between the book value loss (or gain) and

the cost of modification is recognized as a gain or loss. For sales of post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

(12) Reconciliation and Disclosure. The SFFAS No. 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees," requires a reconciliation and additional disclosures. Federal agencies are required to display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees reported in the entities' balance sheet. Agencies should also:

(a) provide a description of the characteristics of the programs that they administer, and should disclose for each program: the total amount of direct or guaranteed loans disbursed for the current reporting year and the preceding reporting year; the subsidy expense by components recognized for the direct or guaranteed loans disbursed in those years, and the subsidy re-estimates by components for those years,

(b) disclose, at the program level, the subsidy rates for the total subsidy cost and its components for the interest subsidy costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for direct loans and loan guarantees in the current year's budget for the current year's cohorts,

(c) events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re estimates, and

(d) events and changes in conditions that have occurred and are more likely than not to have a significant impact but the effects of which are not measurable at the reporting date.

(13) Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as a compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at the present value of its estimated future net cash inflows discounted at the original discount rate.

(14) Write-off of Direct Loans. When post-1991 direct loans are written off, the unpaid principal of each loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts shall have been reflected in the subsidy cost allowance through the subsidy cost estimate or re estimates. Therefore, the write-off would have no effect on expenses.

b. Credit Reform Fund Controls.

For credit programs, systems for administrative control of funds are required to include the following features:

(1) Restrict both obligations and expenditures from each program account, financing account, and liquidating account to the lesser of:

(a) the amounts available for administrative expenses, direct loan subsidies, direct loan levels, guaranteed loan levels, and any limitations specified in law; or

(b) the amounts apportioned for the amounts specified above.

(2) Enable the fixing of responsibility for an obligation or expenditure exceeding the categories specified above.

(3) Simultaneously determine, at the obligation stage for direct loans and at the commitment stage for guaranteed loans, whether sufficient budget authority for the subsidy exists in the program account and whether a sufficient unused loan level limit exists in the financing account.

c. Recording Obligations, Disbursing Loans, And Re-estimating Subsidies.

Obligation of subsidy shall be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, section 185, "Federal Credit." Subsidy funds shall be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower or when the guaranteed loan is disbursed to the borrower by the third-party lender. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority

is available to fund the increase, pursuant to section 504(f) of the FCRA. If the subsidy amount decreases, a payment shall be made to a receipt account.

d. Borrowing from Treasury.

The FCRA provides indefinite borrowing authority to financing accounts to fund the unsubsidized portion of direct loans and to satisfy obligations in the event the financing account's resources are insufficient. For direct loan financing accounts, each loan disbursement is financed by the subsidy cost payment from the program account, fees where applicable, and borrowing from Treasury.

For loan guarantees, the financing account may borrow from Treasury when balances in the financing account are insufficient to pay claims. These borrowings generally occur on an as-needed basis.

If a direct loan or loan guarantee program or risk category generates negative subsidy cost, the financing account must borrow from Treasury to cover the payment to the negative subsidy receipt account.

All borrowing is dated October 1 regardless of whether it is the original amount borrowed at the beginning of the year or a supplementary amount borrowed later in the year. As a result of treating the entire amount as a single borrowing, interest expense is not affected by whether all borrowed funds were disbursed or whether the original borrowing had to be supplemented later in the year.

e. Computation of Interest Expense and Interest Income.

(1) Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs.

(a) Interest expense in a direct loan program results from borrowing from the Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources--subsidy transfer and borrowing from the Treasury.

(b) A single borrowing from the Treasury may be made at the beginning of each fiscal year, separately for each cohort on the basis of the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the Treasury. (The undisbursed balance of Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the Treasury.

(2) Frequency of Interest Computations. The OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that currently are disbursing shall be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by the OMB and Treasury. In those few programs that have a strong seasonal pattern, the OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

(3) Weighted Average Interest Rate. The FCRA provides that the interest rate for borrowing shall be assigned on the basis of the Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year, until 90 percent of the disbursements from the cohort have been made. Each year the current year average annual interest rate is weighted by current year disbursements and merged with the prior year's weighted average to calculate a new weighted average. These computations are included in the OMB's electronic worksheets for calculating financing account interest. Those worksheets calculate interest expense for borrowing from Treasury and interest income from Treasury on uninvested funds in the financing account.

(4) Procedures for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts. Detailed instructions for calculating interest due to and due from Treasury are provided in Volume 1, Part 2, Chapter 4600 of the TFM, available at: http://www.fms.treas.gov/tfm/vol1/index.html on the Internet.

f. Reporting.

(1) DOE must produce external reports required by OMB and Treasury, including those associated with the FCRA and the Chief Financial Officers Act of 1990. DOE must also conform to IRS reporting requirements for interest received and miscellaneous income. In addition, direct and guaranteed loans are reported on the DOE consolidated financial statements.

(2) Reporting requirements, instructions, and background information are available on the Internet at web sites maintained by the Treasury, the OMB, the FASAB, the AAPC of the FASAB.

g. U.S. Government Standard General Ledger (USSGL) Accounts

The USSGL accounts and definitions established to account for direct and guaranteed loans are listed in TFM, Supplement No. S2, USSGL. The USSGL and additional guidance on Credit Reform Accounting is available at: http://www.fms.treas.gov/ussgl/index.html on the Internet.

4. RESPONSIBILITIES.

a. Chief Financial Officer. Oversees all financial management activities related to the Loan Programs as directed by DOE Order 520.1A, Chief Financial Officer Responsibilities.

b. Director, Loan Programs Office. Operates the Loan Program in compliance with financial policy, procedures, and guidance promulgated by DOE as directed in this chapter.

5. REFERENCES.

a. Debt Collection Improvement Act of 1996 (Public Law 104-134, chapter 10, section 31001) (DCIA) available on the internet at http://fms.treas.gov/debt/regulations.html;

b. Title XVII of the Energy Policy Act of 2005 (Public Law 109-58), as amended, and codified at 42 USC 16511-16516;

b. DOE's overall loan guarantee program regulations (10 CFR 609) available on the internet at http://lpo.energy.gov;

c. Relevant provisions contained in the Government Accountability Office (GAO) Accounting Principles, Standards, and Requirements;

d. Office of Management and Budget (OMB) Circular A-11, "Preparation and Submission of Budget Estimates," section 185, "Federal Credit" available on the internet at http://www.whitehouse.gov/omb/circulars/index.html;

e. OMB Circular No. A-129, "Policies for Federal Credit Programs and Non-Tax Receivable";

f. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 2, "Accounting for Direct Loans and Loan Guarantees"; SFFAS No. 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2"; and SFFAS No. 19, "Technical Amendments to Accounting Standards for Direct Loans and Loan

Guarantees in SFFAS No. 2" available on the internet at http://www.fasab.gov/codifica.html;

g. Treasury Financial Manual (TFM), Chapter 4600, Treasury Reporting Instructions for Credit Reform Legislation (I TFM 2-4600) available on the internet at http://fms.treas.gov/tfm/vol1/index.html;

h. Supplemental guidance set forth in the Treasury/Financial Management Service (FMS), "Managing Federal Receivables" available on the internet at http://fms.treas.gov/debt/Guidance_MFR.html.

6. DEFINITIONS.

a. Direct Loan. A direct loan is a disbursement of funds by the government to a non-Federal borrower under a contract that requires the repayment of such funds within a certain time, with or without interest. The term includes the purchase of, or participation in, a loan made by another lender.

b. Loan Guarantee. A loan guarantee is defined as any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares or other withdrawable accounts in financial institutions.