

# CHAPTER 1

## FINANCIAL MANAGEMENT HANDBOOK OVERVIEW

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## **I. INTRODUCTION - PURPOSE, SCOPE, AND AUTHORITIES**

### **I.A. Statutory Authorization**

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

### **I.B. DOE Financial and Accounting Policy**

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

### **I.C. Budget Policy**

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

## **II. APPLICABILITY**

### **II.A. General Applicability to DOE Departmental Elements**

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

### **II.B. Specific Applicability**

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

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

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

In accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 USC sections 2406

and 2511 and to ensure consistency through the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors will implement and oversee requirements and practices pertaining to this Handbook for activities under the Deputy Administrator's cognizance, as deemed appropriate.

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

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

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

#### **II.B.4. DOE Contractors**

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

Contractors who are not site/facility management contractors or other major contractors shall follow the applicable standards and procedures as specified in this Handbook if provided in their contracts.

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

#### **II.C. Exclusion**

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

### III. CFO POLICY FRAMEWORK

Type of Policy	Scope	Applicability
<b>DOE Regulations</b>	Financial Policy topics affecting the public - e.g. 10 CFR 1009, <i>Pricing</i> and 10 CFR 1015, <i>Collection of Claims</i>	<ul style="list-style-type: none"> <li>• Public</li> <li>• DOE Federal Offices</li> <li>• DOE Contractors</li> </ul>
<b>DOE Orders &amp; Directives</b>	Financial management responsibilities for other DOE offices and establishes: <ul style="list-style-type: none"> <li>• Designated Financial Officers</li> <li>• Budget Execution Officer</li> <li>• Budget Planning Officer</li> <li>• Internal Control Action Officer</li> </ul>	<ul style="list-style-type: none"> <li>• DOE Federal Offices</li> <li>• DOE Contractors—when there is a Contractor Requirements Document, and/or when required by the contract</li> </ul>
<b>Delegations</b>	Authority for the CFO to perform certain functions of the Secretary. These authorities may be re-delegated to others in the CFO office. Delegations and re-delegations are found on the DOE Directives website.	DOE CFO
<b>Financial Management Handbook</b>	Detailed requirements relating to Budget, Accounting, and Financial Reporting	<ul style="list-style-type: none"> <li>• DOE Federal Offices</li> <li>• DOE Contractors</li> </ul>
<b>CFO Memoranda</b>	Used sparingly to provide temporary guidance—must contain a sunset date  All legacy memoranda not maintained on the current CFO iPortal page are rescinded	Defined by the memo
<b>Annual Guidance Documents</b>	Budget Guidance (CF-30): Enabled by DOE Order 130.1A  Internal Controls and Risk Management (CF-10): Enabled by DOE Order 520.1B Chg1  Payment Integrity (CF-10): Enabled by DOE Order 520.1B Chg1	<ul style="list-style-type: none"> <li>• DOE Federal Offices</li> <li>• DOE Contractors</li> </ul>

## IV. FINANCIAL MANAGEMENT HANDBOOK ORGANIZATION

### *Chapters Topics*

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

## V. FINANCIAL MANAGEMENT HANDBOOK ADMINISTRATION

### V.A. Responsibilities

#### V.A.1. Deputy Chief Financial Officer

##### V.A.1.i. Approval of Updates

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

##### V.A.1.ii. Policy Requirements

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

##### V.A.1.iii. Approval of Exemptions

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

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

##### V.A.2.i. Approval of Updates

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

**V.A.2.ii. Interpretations**

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

**V.A.2.iii. Planning**

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

**V.A.2.iv. Review and Comment**

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

**V.A.3. Designated Financial Officers**

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

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

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

**V.A.4. Budget Execution Officers**

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

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

#### **V.A.5. Heads of Contracting Activities**

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

### **V.B. Substantive Revisions to the Financial Management Handbook**

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

#### **V.B.1. Preparation of the Exposure Draft**

##### **V.B.1.i. Staff Assignments**

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

##### **V.B.1.ii. Stakeholder Consultation**

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

#### **V.B.2. Review and Comment Process**

##### **V.B.2.i. Notice of Updates**

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

##### **V.B.2.ii. Comment Period**

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

**V.B.2.iii. Resolution of Comments**

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

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

**V.B.2.iv. Second Exposure Draft**

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

**V.B.3. Final Approval**

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

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

**V.C. Administrative Revisions to the Financial Management Handbook****V.C.1. Review and Comment**

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

**V.C.2. Final Approval**

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

**VI. KEY FINANCIAL MANAGEMENT POLICY SOURCES**

<b>Source</b>	<b>Key Provisions</b>	<b>Mandatory</b>
Statutes	<ul style="list-style-type: none"> <li>Codified government-wide statutes in 31 USC—Money and Finance</li> <li>Codified DOE-specific statutes in 42 USC—the Public Health and Welfare</li> <li>Codified DOE-specific statutes in 50 USC- War and National Defense</li> </ul>	Yes



<b>Source</b>	<b>Key Provisions</b>	<b>Mandatory</b>
	<ul style="list-style-type: none"> <li>Annual Appropriations Acts</li> <li>Annual Authorization Acts (National Defense Authorization Act)</li> </ul>	
Congressional Guidance	<ul style="list-style-type: none"> <li>House and Senate Appropriations Committee Reports</li> <li>Appropriations Joint Explanatory Statement</li> <li>Committee Reports accompanying the National Defense Authorization Act</li> </ul>	Not legally required, however, DOE generally follows Congressional guidance.
Government-wide Regulations	<ul style="list-style-type: none"> <li>31 CFR Chapter 9—Federal Claims Collection Standards</li> <li>48 CFR Chapter 1—Government-wide Federal Acquisition Regulations (FAR)</li> <li>48 CFR Chapter 99—Cost Accounting Standards</li> <li>2 CFR Chapter 2—Government-wide Financial Assistance regulations (Uniform Guidance)</li> </ul>	Yes—unless superseded by a DOE-specific regulation or exemption (e.g. DOE Acquisition Regulations adding to FAR requirements)
DOE-Specific Regulations	<ul style="list-style-type: none"> <li>10 CFR—Energy</li> <li>2 CFR Chapter 9—DOE specific Financial Assistance regulations</li> <li>48 CFR Chapter 9—DOE Acquisition Regulations (DEAR)</li> </ul>	Yes
OMB Circulars	<ul style="list-style-type: none"> <li>Circular A-11 Preparation, Submission and Execution of the Budget</li> <li>Circular A-50 Revised Audit Follow Up</li> <li>Circular A-123 Management's Responsibility for Enterprise Risk Management and Internal Control</li> <li>Circular A-134 Financial Accounting Principles and Standards</li> <li>Circular A-136 Financial Reporting Requirements – Revised</li> </ul>	Yes—unless DOE-specific exemptions apply
Executive Orders & Other Executive Direction on financial management	Various	Yes

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

## **VII. DEFINITIONS**

### **VII.A. Administrative Update**

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

### **VII.B. Director**

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

### **VII.C. Departmental Element**

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

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

### **VII.D. Substantive Revision**

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

### **VII.E. Shall**

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

### **VII.F. Should**

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

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

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

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

## Notes:

\* **Indirect** indicates that the chapter does not impose direct requirements on the contractor, but requirements imposed for Federal offices may require information or support from contractors.

\*\* **Potential** indicates that the applicability to a specific contractor will be determined on a case-by-case basis by the cognizant Designated Financial Officer and specific contract language and requirements.

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<sup>1</sup> Section 205(a) of the Chief Financial Officers Act of 1990, as codified in 31 U.S.C. 902.