

**U.S. Department of Energy**  
**Washington, D.C.**

**ORDER**

DOE 2200.13

9-27-91

SUBJECT:      OVERSIGHT OF INTEGRATED CONTRACTOR FINANCIAL MANAGEMENT

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1. PURPOSE. To establish Departmentwide policy and general procedures governing oversight of financial management activities of integrated contractors performing work for the Department of Energy (DOE).
2. SCOPE. The provisions of this Order apply to Headquarters and field elements that have cognizance for integrated contractors performing work for DOE.
3. OBJECTIVES. To achieve reasonable assurance of integrated contractor compliance with DOE financial management requirements and thereby enhance the integrity and responsiveness of integrated contractor financial management practices and the accuracy and reliability of DOE's financial statements.
4. BACKGROUND.
  - a. On 11-15-90, Congress amended Title 31, United States Code (U.S.C.), by enacting the Chief Financial Officers Act of 1990 (CFOs Act) to:
    - (1) "bring more effective general and financial management practices to the Federal Government;"
    - (2) "provide for improvement, in each agency of the Federal Government, of systems of accounting, financial management, and internal controls to assure the issuance of reliable financial information and to deter fraud, waste, and abuse of Government resources;"
    - (3) "provide for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and the Congress in the financing, management, and evaluation of Federal programs. "
  - b. In addition, the CFOs Act mandates strict deadlines for the preparation, submission, and audit of executive agencies' financial statements. DOE's financial statements are consolidated from various sources, including integrated contractors.

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**DISTRIBUTION:**

All Departmental Elements

**INITIATED BY:**

Office of Chief Financial  
Officer

- c. Integrated contractor financial management is intended to produce complete, reliable, timely, and consistent integrated contractor financial information for consolidation with DOE financial information to produce consolidated financial statements for the Department as a whole. In addition, it is intended to provide DOE management with reasonable assurance that DOE assets in the custody of integrated contractors are being managed in accordance with DOE requirements.

5. REFERENCES.

- a. The CHIEF FINANCIAL OFFICERS ACT OF 1990, P.L. 101-576, of 11-15-90, which establishes the authority and functions of agency Chief Financial Officers.
- b. SECRETARY OF ENERGY NOTICE (SEN-34-91), IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICERS ACT OF 1990 (P.L. 101-576) of 8-15-91, which effects initial implementation of the CFOs Act within DOE and sets forth responsibilities of the Departmental Chief Financial Officer (Departmental CFO).
- c. DOE 1000.3B, INTERNAL CONTROL SYSTEMS, of 7-5-88, which implements the Federal Managers' Financial Integrity Act, P.L. 97-255, by prescribing policies and standards for internal control systems in DOE.
- d. DOE 1360.3B, AUTOMATIC DATA PROCESSING STANDARDS, of 11-15-90, which establishes responsibilities and policies for the implementation of Governmentwide automatic data processing (ADP) standards and for the development and implementation of Departmentwide ADP standards.
- e. DOE 2030.4A, REPORTING FRAUD, WASTE, AND ABUSE, of 3-19-91, which establishes policies and procedures for reporting fraud, waste, abuse, or corruption to the DOE, Office of Inspector General (IG).
- f. DOE 2200.4 through DOE 2200.10A, ACCOUNTING DIRECTIVES, which provide guidance for use by field elements to review and approve accounting practices and procedures that are necessary for the contractors to maintain a system of accounts acceptable to DOE.
- g. DOE 2300.1A, AUDIT RESOLUTION AND FOLLOWUP, of 6-21-88, which prescribes policies and procedure: for audit resolution and followup in DOE.

- h. DOE 2321.1A, AUDITING OF PROGRAMS AND OPERATIONS, of 3-28-90, which sets forth audit responsibilities for the promotion of economy and efficiency in the administration of, or the prevention or detection of fraud and abuse in, programs and operations of the DOE.
- i. DOE 5100 series (BUDGET DIRECTIVES) which establish the policies, procedures, and responsibilities of DOE for budget formulation, review, and analysis in accordance with executive, legislative, and internal management requirements.
- j. Title 48, Code of Federal Regulations (CFR), chapter 1, which contains a codification of the Federal Acquisition Regulation and defines management and operating (M&O) contracts at subpart 17.6.
- k. Title 48, CFR, chapter 9, which contains a codification of the DOE Acquisition Regulation (DEAR), defines M&O contracts at subpart 917.6, and provides Departmental requirements and provisions regarding award and administration of M&O contracts at part 970.
- l. DOE ACQUISITION LETTER 90-3, of 6-21-90, which clarifies the Internal Audit clause requirements (section 970.5204-9(h), Title 48, CFR).

6. DEFINITIONS.

- a. Departmental Chief Financial Officer. The DOE position which is responsible for the financial operations of the Department, as established by the CFOs Act.
- b. Field Element Chief Financial Officer (Field CFO). The DOE official designated as having responsibility for the financial activities at a field element. For Headquarters, this refers to the position of Director of Headquarters Accounting Operations.
- c. Integrated Contractor. A DOE M&O contractor that is required by contract provisions to maintain a separate set of accounts and records for recording and reporting all business transactions under the contract in accordance with DOE accounting practices and procedures and whose books of account are integrated with those of DOE through the use of reciprocal accounts. An integrated contractor may be an educational institution, a nonprofit institution, a corporation, or any other form of organization legally capable of entering into a contract with DOE.

- d. Management and Operating Contract. A contract for the operation, maintenance, or support, on DOE's behalf, of a DOE-owned or DOE-controlled research, development, special production, or testing establishment wholly or principally devoted to one or more major programs of DOE.
  - e. Oversight. Oversight of integrated contractor financial management is the process performed by DOE which recognizes DOE's responsibility for administering programs being executed by contractors who manage DOE-owned assets in their custody. DOE accomplishes its financial management oversight role by issuing Departmental policy and procedures and monitoring implementation through various DOE officials, particularly Field CFOs, who interact with the contractors on an ongoing basis to provide them with DOE financial management instructions and guidance and to monitor their compliance using various techniques. Such techniques include financial analysis of contractor-generated reports and other documentation, financial management reviews prescribed in this Order, and other reviews considered necessary depending on priorities established by the Departmental CFO and site-specific circumstances.
7. POLICY. To achieve reasonable assurance that financial information generated by integrated contractors is accurate, timely, complete, reliable, consistent, and responsive, and that DOE assets in the custody of integrated contractors are properly safeguarded against fraud, waste, abuse, misappropriation, and/or mismanagement, and are managed in accordance with DOE requirements, it is DOE policy that:
- a. A contract shall not specify integration without the written recommendation of the cognizant Field CFO and the prior written approval of the Departmental CFO.
  - b. Integrated contracts shall include verbatim all standard DEAR clauses with financial management implications. Any deviations must have the written concurrence of Departmental CFO.
  - c. Financial management guidance to integrated contractors must be approved by either the Departmental CFO or the Field CFO.
  - d. Active oversight of integrated contractors should be maintained through a combination of techniques which include financial analysis of contractor-generated reports, periodic formal reviews as prescribed in this Order, and ongoing liaison with the integrated contractors regarding financial management activities.

- e. The initial review cycle will be no more than 5 years, beginning 10-1-91, with the length of the recurring cycle to be defined early enough in the initial cycle to provide for identification of resources to support the review function on a recurring basis.
- f. Beginning 12-31-92, and not later than 12-31 each year thereafter, Field CFO shall provide to Departmental CFO, Head of Field Element (HFE), and appropriate Program Secretarial Officer(s) (PSO(s)), a certification for each contractor, summarizing review activities for the fiscal year just ended. (See Attachment 2 for model format.)
- g. Departmental CFO, HFE, and appropriate PSO(s) shall coordinate on obtaining Full Time Equivalents (FTEs) and other resources to accomplish the financial management oversight function and on resolving financial management issues of a Departmental or sensitive nature.
- h. Any fraud or abuse identified as a result of activities conducted under the provisions of this Order shall be referred to the Office of the IG in accordance with DOE ORDER 2030.4A, REPORTING FRAUD, WASTE, AND ABUSE, of 3-19-91.

8. RESPONSIBILITIES.

- a. Departmental Chief Financial Officer shall:
  - (1) Develop and maintain Departmental policy and procedures pertaining to financial management oversight of integrated contractors.
  - (2) Approve in writing recommendations for integration of new and renewal contracts.
  - (3) Concur in writing on all deviations from standard financial management DEAR clauses in integrated contracts.
  - (4) Assess Field CFO compliance regarding financial management oversight requirements defined in this Order.
  - (5) Direct or conduct special purpose reviews.
  - (6) Resolve financial management issues of a Departmental or sensitive nature.

- (7) Evaluate and support budget requests for FTEs and other resources to accomplish the financial management oversight function.
- (8) Support and be responsive to requests of PSOs.

b. Field Element Chief Financial Officer shall:

- (1) Recommend in writing the integration of a contract and provide rationale and supporting justification.
- (2) Recommend in writing any necessary deviations from standard financial management DEAR clauses in integrated contracts.
- (3) Accomplish effective financial management oversight of integrated contractors.
- (4) Identify and justify budget requests for FTEs and other resources necessary to support the integrated contractor financial management oversight function.
- (5) Approve local guidance on and provide any necessary interpretation of DOE financial management policy.
- (6) Serve as the Departmental focal point for identifying, addressing, and resolving local integrated contractor financial management issues.
- (7) Notify Departmental CFO and HFE of financial management issues of a Departmental or sensitive nature.
- (8) Set priorities, establish review plans, perform reviews, provide written approval of corrective action plans, and follow up on corrective actions as appropriate.
- (9) Meet review requirements established by this Order and maintain appropriate documentation.
- (10) Refer to the Office of the IG any fraud or abuse identified as a result of activities conducted under the provisions of this Order.

c. Heads of Field Elements shall:

- (1) As Head of Contracting Activity (HCA), ensure that standard financial management DEAR clauses are included verbatim in all field element integrated contracts, except for deviations concurred on in writing by Departmental CFO.
- (2) As HCA, require contractors to remedy non-compliances.
- (3) Accomplish effective financial management oversight of integrated contractors through the Field CFO.
- (4) Notify the appropriate PSO(s) of financial management issues of a Departmental or sensitive nature.
- (5) Assist the appropriate PSO(s), Departmental CFO, and Field CFO in resolving integrated contractor financial management issues.
- (6) Support and be responsive to requests of Field CFO in carrying out Field CFO responsibilities.

d. Program Secretarial Officers shall:

- (1) Support Departmental CFO in obtaining FTEs and other resources to accomplish the financial management oversight function.
- (2) Assist Departmental CFO in resolution of financial management issues of a Departmental or sensitive nature.
- (3) Assist the Field CFO in carrying out Field CFO responsibilities.

e. Director of Procurement, Assistance, and Program Management or designee shall:

- (1) Assist Departmental CFO in resolving overlapping procurement and financial management issues.
- (2) Ensure that standard financial management DEAR clauses are included verbatim in all Headquarters integrated contracts, except for deviations concurred on in writing by Departmental CFO.
- (3) For Headquarters integrated contracts, require contractors to remedy non-compliances.

(4) For Headquarters integrated contracts, assist the appropriate PSO(s), Departmental CFO, and Field CFO in resolving financial management issues.

(5) For Headquarters integrated contracts, assist the Field CFO in carrying out Field CFO responsibilities.

9. REVIEW REQUIREMENTS.

- a. A plan for formal review of the integrated contractor's financial management areas listed in paragraph 10 of this Order over an initial cycle of no more than 5 years starting 10-1-91 shall be developed and maintained. At an appropriate point in the initial cycle, a determination will be made as to the appropriate length of a recurring cycle so that resources can be requested in support of the review function.
- b. The depth and nature of the reviews to be conducted should be determined in accordance with paragraph 10 and factors such as the relative risk of each area to be reviewed.
- c. The scope of reviews should be determined in accordance with factors such as knowledge gained from ongoing interaction, financial analysis of contractor-generated reports and other documentation, and relevant documentation from recent audits and/or reviews by the contractor's internal audit staff, the IG, and/or other cognizant authority.
- d. Reviews do not have to be conducted in accordance with formal auditing standards nor are they intended to substitute for audits which are the responsibility of the IG. Techniques selected for any given review will be left up to the discretion of the Field CFO based on the nature of the area itself, including related vulnerabilities, as well as site-specific circumstances. Such techniques may include ongoing interaction, results of audits and other reviews, financial analysis, transaction testing, questionnaires, interviews, and/or review of contractor and other documentation.
- e. Integrated contractor policies and written procedures should be evaluated against DOE requirements.
- f. A corrective action plan should be prepared by the contractor and approved in writing by the Field CFO.
- g. Followup should be performed to confirm that deficiencies are corrected.

- h. Beginning 12-31-92, and not later than 12-31 each year thereafter, a certification for each contractor, summarizing review activities for the fiscal year just ended, should be submitted to Departmental CFO, HFE, and appropriate PSO(s).
- i. The following documentation should be maintained:
  - (1) Review plans.
  - (2) Description of approach used, findings, corrective action plans, and followup on corrective actions. (See Attachment 1 for optional format.)
  - (3) Other relevant documentation including that obtained from reviews/audits performed by other authorities.
  - (4) Annual certification of areas reviewed. (See Attachment 2 for model format.)

10. REVIEW AREAS AND OBJECTIVES.

a. Financial Systems, Policies, and Procedures.

- (1) Defined Area. The financial systems, policies, and procedures area comprises the manual and automated systems and subsystems, policies, procedures, and controls used by the contractor:
  - (a) to capture, record, summarize, and report financial information related to the:
    - 1 authorization of resources,
    - 2 incurrence of liabilities,
    - 3 receipt of revenue,
    - 4 disbursement of funds,
    - 5 control and accountability over assets, costs, and appropriated funds,
    - 6 distribution of costs, and
    - 7 development and issuance of reports on the financial status of assets costs, liabilities, and appropriated funds and the financial results of program and administrative operations; and
  - (b) to account for DOE-owned assets in their custody, including adequately safeguarding such assets against fraud, waste, abuse, unauthorized use, misappropriation, and mismanagement.

- (2) Objective. The overall objective of the review of the contractor's financial systems, policies, procedures, and controls is to provide reasonable assurance to DOE management that the contractor's financial systems and component subsystems, procedures, and controls conform to DOE planning, budgetary, accounting, and property management requirements and are adequate to provide full disclosure of financial activities; adequate financial information for contractor and DOE management purposes; adequate audit trails to provide the ability to follow an entry from the original source document through all processing steps and to identify the separate transaction documents from which a given total or report item originated; consistent financial information among the various component processes of planning, budgeting, accounting, and property management; effective internal controls over all funds, commitments, costs, liabilities, and property and other assets; reliable financial information for planning purposes, development, support, and validation of budget requests, budget execution, and performance measurement; proper safeguarding of all assets against fraud, waste, abuse, unauthorized use, misappropriation, and mismanagement; and proper recording and accounting for revenues, expenditures, and costs so that accounts and reliable financial and statistical reports can be prepared and accountability for the assets can be maintained.
- (a) Cost Distribution System. In addition to the review objective set forth in paragraph 10a(2), the review of the contractor's cost distribution system should provide DOE management with reasonable assurance that the contractor's cost distribution system is adequate to properly record and distribute labor, materials, other direct costs, and overhead expenses to appropriate accounts, work orders or projects; the contractor uses a consistent and equitable methodology for calculating and applying overhead rates throughout the contractor's organization; costs of production are allocated to actual production units and capitalized into final inventory values, including adequately costing rework and/or waste to final production values; overhead pools are properly accumulated, controlled, and distributed; and similar overhead costs are treated consistently throughout the organization.

(b) Automated Financial Systems. In addition to the review objective set forth in paragraph 10a(2), the review of the contractor's automated financial systems and subsystems should provide DOE management with reasonable assurance that the contractor's financial systems integrate with the Department's primary accounting system and that upgrades, enhancements, and developments have been properly justified and approved.

b. Planning.

- (1) Defined Area. Planning is a dynamic, interactive process which involves integration of external information from various sources (social, political, and economic) with intra-DOE and intra-contractor information derived from analysis of past performance, current capabilities, and future trends; setting objectives; formulating strategies; and deciding among alternatives in anticipation of the Departmental budget formulation process. The planning process identifies issues, opportunities, and cost drivers in the short and long term.
- (2) Objective. The objective of the review of the contractor's planning process is to provide DOE management with reasonable assurance that it produces plans which are consistent with site institutional plans, site development plans, and DOE strategic and program planning guidance; that it uses a competent rationale for development of estimates, with a clear linkage to the budget process; that it provides for consistency of data among various planning and budget documents and processes; that it provides for infrastructure planning and investment which is commensurate with credible base programs' long-range forecasts/needs; that it adequately considers financial management concerns with subsequent resource identification; that it adequately considers environment, safety, and health concerns with subsequent resource identification; and that it provides for integration of projects identified in various plans into appropriate program budget requests in consultation with the designated field office and program with institutional oversight, as appropriate.

c. Budgeting.

- (1) Defined Area. Budgeting comprises the policies, procedures, and practices used by the contractor to formally integrate plans with programs through the process of identifying, prioritizing, and allocating resource requirements to programs approved in the planning process. Budgeting also includes financial management activities associated with validation of funding requirements, including overhead; review of the contractor's request during the budget process; distribution of funds authorized and appropriated by Congress, including reimbursable work; and performance measurement of the funded workscope.
- (2) Objective. The objective of the review of the contractor's budgeting process is to provide DOE management with reasonable assurance that the contractor's budgeting process is in conformance with DOE-prescribed budgetary guidance, which includes: authorization, commitment, costing, expenditure of funds, and associated workscope consistent with limitations of available appropriated funds as to purpose, timing, and amount; realistic portrayal of probable future events in conformity with Departmental goals/strategy; worksopes, costs, and schedule estimates which are justified, reasonable, realistic, consistent with DOE technical and financial guidance, and adequately supported by documentation that includes a competent rationale capable of withstanding future challenges; a clear linkage with the contractor's planning process, which in turn supports DOE's strategic planning; and appropriate systems, procedures, and reports capable of providing performance measurement data. Validation of funding requirements, including overhead, is an annual review requirement.

d. Asset Management Systems.

- (1) Defined Area. Asset management systems comprise the policies, procedures, and practices--both manual and automated--that exist within the contractor's organization to acquire, process, control, safeguard, and account for DOE-owned assets in their custody and to collect, classify, record, process, and report financial data relating to such DOE-owned assets. At a minimum, the asset management systems to be reviewed include: Cash, Accounts Receivable, Inventories, Property (both Real and Personal), and Construction Work in Progress, as set forth in paragraphs (a) through (d) below.

- (a) Cash Management. The cash management area includes all collection and disbursement activities and the systems and controls for managing petty cash funds, letter of credit, special bank account, receipts (including contractor collected revenues and refunds), and disbursements (including the processing of vouchers and invoices).
- (b) Receivables and Debt Management. The receivables and debt management area includes the systems and controls for managing DOE-owned claims against others for the receipt of future value. These claims arise from transactions and events such as the sale of goods and/or services, over- and/or duplicate payments, advances, sale of assets, and claims resulting from litigation.
- (c) Inventory Management. The inventory management area includes the systems and controls for managing DOE-owned tangible personal property which is held for sale to others, partially completed, or for use in production, operations, and/or construction including supplies).
- (d) Property Management.
  - 1 Real Property or Real Estate. for purposes of this Order, are synonymous. Real estate means land and anything permanently affixed to the land such as buildings, fences, and those things attached to buildings, such as light fixtures, plumbing and heating fixtures, or other such items which would be personal property if not attached.
  - 2 Personal Property and Capital Equipment. Personal property is normally mobile, not permanently affixed to real property and can be removed without seriously damaging or diminishing the functional value of either the real estate or the items themselves. This includes those items that are capitalized in accordance with DOE 2200.6 as well as items of a sensitive nature or subject to misappropriation which are controlled through property accountability records or appropriate safekeeping facilities or both.

3 Construction Work in Progress (CWIP). CWIP includes costs of additions and retirements of plant and capital equipment that are in progress and are being accumulated during the acquisition or construction period.

- (2) Objective. The objective of the review of the integrated contractor's asset management systems is to provide DOE management with reasonable assurance that the systems are adequate to process, control, and account for DOE owned assets in the custody of the contractor and to safeguard these assets against fraud, waste, abuse, misappropriation, unauthorized use, and mismanagement.

e. Product and Service Pricing.

- (1) Defined Area. The product and service pricing area comprises the policies, procedures, and practices--both manual and automated--used by the contractor to determine the cost of services and/or products furnished to others outside DOE so that full cost recovery is achieved.

- (2) Objective. The objective of the review of the product and service pricing area is to provide reasonable assurance to DOE management that the contractor's product and service pricing process is in conformance with DOE requirements with all exceptions properly authorized and adequately justified, documented, and reported; that Departmentwide rates are consistently applied; and that the biennial review of fees, royalties, rents and other charges for services and things of value provided, required by the CFOs Act, is accurately and timely conducted and provides meaningful results and recommendations on revising those charges to reflect costs incurred in providing those services and things of value.

f. Payroll.

- (1) Defined Area. The payroll area comprises the policies, procedures, and practices--both manual and automated--that exist within the contractor's organization to process, control, and account for payments to contractor employees in exchange for services performed, payments to taxing authorities and others for amounts withheld, and employer contributions. The areas to be reviewed are Time and Attendance (T&A), Payroll Processing, and Labor Cost Distribution, as set forth in paragraphs (a) through (c) below.

- (a) Time and Attendance. The T&A system comprises the policies, procedures, and practices--both manual and automated--for recording and reporting contractor-employee labor hours (including regular time, overtime, and leave).
- (b) Payroll Processing. The payroll processing system comprises the policies, procedures, and practices--both manual and automated--for calculating each employee's gross and net pay, as well as applicable deductions and employer contributions; for making disbursements as appropriate; and for calculating and recording appropriate accrual entries to the accounts.
- (c) Labor Cost Distribution. The labor cost distribution system comprises the policies, procedures, and practices--both manual and automated--for collection, distribution, control, and reporting of both direct and indirect labor costs.

- (2) Objective. The objective of the review of the contractor's payroll area is to provide reasonable assurance to DOE management that contractor employees are properly and timely paid in accordance with terms and conditions of their respective contracts and in accordance with the contract between the contractor and DOE; that timecards reflect labor hours against appropriate charge numbers; that taxing authorities and others are paid properly and timely for amounts withheld; that the contractor's portion of accrued taxes and/or benefits is accurately and timely calculated, accrued, and paid; that adequate controls exist to prevent duplicate payments, overpayments, and/or payments to fictitious employees; and that the contractor's labor cost distribution system adequately provides for timely distribution of labor cost to proper final cost objectives by direct labor hour with adequate methods for distribution of indirect labor hours,

g. Travel.

- (1) Defined Area. The travel system comprises the policies, procedures, and practices-- both manual and automated--for managing activities associated with permanent change of station, temporary duty, and local travel.

- (2) Objective. The objective of the review of the contractor's travel system is to provide DOE management with reasonable assurance that the travel system includes adequate controls which ensure that all travel charged to the contract is in accordance with DOE and contract requirements; that it is properly authorized; that travelers are reimbursed only for entitlements; and that vouchers are timely processed with amounts due from the traveler promptly collected.

h. Financial Reports.

- (1) Defined Area. The financial reporting function comprises the policies, procedures, and practices--both manual and automated--used by the contractor to formally communicate official planning, budgetary, operating, and proprietary financial information regarding past, current, and future events in support of DOE programs to both internal and external groups.
- (2) Objective. The objective of the review of the contractor's financial reporting function is to provide reasonable assurance to DOE management that financial reports in support of DOE programs are generated; that adequate controls exist over distribution to prevent unauthorized dissemination; that DOE reporting requirements are fully satisfied; and that the reports generated for external reporting purposes reconcile to applicable DOE summary-level accounts and are timely, complete, consistent, reliable, and in conformance with DOE and other applicable requirements

i. Reimbursable Work.

- (1) Defined Area. Reimbursable work refers to work or services performed or to be performed for another Federal or non-Federal customer for which DOE is compensated by specific type of offsetting collection, known as a reimbursement, which may be credited as authorized by law to the appropriation or fund account of DOE. The reimbursable work or services performed by DOE are financed by funds of the ordering Federal customer or by cash advances from a non-Federal customer.

- (2) Objective. The objective of the review of the financial management aspects of a contractor's reimbursable work area is to provide DOE management with reasonable assurance that reimbursable work being performed by the contractor has been properly authorized, costed, and funded in accordance with DOE requirements, which include ensuring that budgetary resources have been obtained prior to commencing work and incurring costs; that there is sufficient reimbursable obligational authority from the Departmental CFO within the respective allotment; that full cost recovery is achieved; that costs do not exceed available funding; that a system is in place to provide advance notification of potential funding shortfalls in sufficient time to obtain additional funding or begin orderly termination of the project; and that work is managed and accounted for in accordance with the funding limitations and other provisions of the reimbursable agreement

j. Liabilities.

- (1) Defined Area. The liabilities area comprises the policies, procedures, and practices used by the contractor to identify, record, and report those activities that create a present or future claim on DOE resources.
- (2) Objective. The objective of the review of liabilities is to provide reasonable assurance that all liabilities have been recorded as accurately as warranted by the circumstances under which the liability was created. The areas to be reviewed include accounts payable; accruals for payroll, benefits, leave, and other appropriate accounting period activities; unearned revenues including advances and deposit funds; and contingent liabilities.

k. Internal Audit.

- (1) Defined Area. The internal audit area comprises the policies, procedures, and practices used by the contractor to perform comprehensive reviews and appraisals of the full scope of the contractor's diverse operations as a service to management.

- (2) Objective. The objective of the review of the contractor's internal audit area is to provide reasonable assurance to DOE management that the contractor's internal audit group is structured organizationally to be sufficiently independent so as to remove impairments to fair and objective reporting; that it uses program guidance developed by the Office of the IG as part of its annual audit workload planning exercise; that it maintains effective liaison with the Office of the IG and other cognizant audit authorities; that it performs internal audits in accordance with Government audit standards; that it conducts sufficient testing of the contractor's internal controls over costs and sufficient transaction testing of costs incurred by the contractor to ensure that they are reasonable and allowable under the contract terms; and that an effective audit resolution and followup system is maintained by the contractor.

I. Related Party Transactions.

- (1) Defined Area. Related party transactions include transactions between a contractor and its parent; a contractor and other subsidiaries of a common parent; a contractor and trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of the contractor's management; a contractor and its principal owners, management, or members of their immediate families; and affiliates. Transactions between related parties commonly occur in the normal course of business. Some examples of common types of transactions with related parties are: sales, purchases of supplies needed in connection with the performance of work, and transfers of realty and personal property; services received or furnished, for example, accounting, management, engineering, legal services, and other specialized expertise; use of property and equipment by lease or otherwise; borrowings and lendings; guarantees; maintenance of bank balances as compensating balances for the benefit of another; intercompany billings based on allocations of common costs; and filings of consolidated tax returns. Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. For example, an enterprise may receive services from a related party without charge and not record receipt of the services.

- (2) Objective. The objective of the review of contractor related party transactions is to provide reasonable assurance to DOE management that contractor related party transactions have been identified, are in conformance with DOE requirements, evaluated to determine equivalency of terms to those that prevail in arm's-length transactions, appropriately authorized and approved, and adequately disclosed. Review of contractor's related party transactions is an annual requirement.

BY ORDER OF THE SECRETARY OF ENERGY:



JOHN J. NETTLES, JR.  
Director of Administration  
and Human Resource Management



(FORMAT)

REVIEW OF INTEGRATED CONTRACTOR FINANCIAL MANAGEMENT ACTIVITIES

FIELD ELEMENT: \_\_\_\_\_

FACILITY: \_\_\_\_\_

CONTRACTOR: \_\_\_\_\_

FISCAL YEAR REVIEWED: \_\_\_\_\_

I. AREA REVIEWED: \_\_\_\_\_

II. METHODOLOGY:  
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\_\_\_\_\_  
\_\_\_\_\_

III. FINDINGS:  
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IV. CORRECTIVE ACTION PLANS:  
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V. STATUS OF CORRECTIVE ACTIONS:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Reviewed by: \_\_\_\_\_

Title: \_\_\_\_\_ Telephone no: \_\_\_\_\_



(FORMAT)

ANNUAL CERTIFICATION ON REVIEW OF  
INTEGRATED CONTRACTOR FINANCIAL MANAGEMENT ACTIVITIES

FIELD ELEMENT: \_\_\_\_\_

FACILITY: \_\_\_\_\_

CONTRACTOR: \_\_\_\_\_

FISCAL YEAR REVIEWED: \_\_\_\_\_

AREAS REVIEWED:

DATES OF REVIEWS:

(1) \_\_\_\_\_

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(2) \_\_\_\_\_

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(3) \_\_\_\_\_

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**(7)** \_\_\_\_\_

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The above areas were reviewed on the dates listed for compliance with DOE financial management requirements. Except for

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the results of the reviews have provided reasonable assurance that the contractor's financial management practices conform to DOE requirements.

Signature (Field CFO): \_\_\_\_\_ Date: \_\_\_\_\_

Name (typed): \_\_\_\_\_