

**SUBJECT: FINANCIAL MANAGEMENT OVERSIGHT**

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1. OBJECTIVES.

- a. To define requirements for effective Department of Energy (DOE) financial management.
- b. To establish requirements for adherence to applicable financial management requirements.
- c. To set forth standards for ensuring the integrity and responsiveness of financial management and the accuracy and reliability of financial statements.

2. CANCELLATION. DOE O 2200.13, *Oversight of Integrated Contractor Financial Management*, dated 9-27-91. Cancellation of an Order does not, by itself, modify or otherwise affect any contractual obligation to comply with Order requirements. Canceled Orders incorporated by reference in a contract will remain in effect until the contract is modified to delete the reference to the requirements in the canceled Orders.

3. APPLICABILITY.

- a. Departmental Elements. Except for the exclusions in paragraph 3c, this Order applies to all Departmental elements that fund field chief financial officer activities (see Attachment 1 for a complete list of DOE elements) and automatically applies to DOE elements created after it is issued.
  - (1) The National Nuclear Security Administration (NNSA) Administrator will assure that NNSA employees and contractors comply with their respective responsibilities under this directive.
  - (2) This Order applies to heads of field elements that fund field chief financial officer functions and activities.
  - (3) For NNSA, this Order applies to the Director of NNSA Service Center.
- b. DOE Contractors. This Order does not apply to contractors.
- c. Exclusions.
  - (1) This Order does not apply to the Federal Energy Regulatory Commission as an independent regulatory commission.
  - (2) The requirements of this Order apply to the Bonneville Power Administration (BPA) to the extent compatible with its unique business operation and organic statutes. The Department's Chief Financial Officer

and the BPA Chief Financial Officer will work collaboratively on application of this Order to BPA to address their respective needs in a manner that supports both DOE Chief Financial Officer and BPA goals and responsibilities.

4. REQUIREMENTS.

- a. DOE O 534.1B, *Accounting*, dated 1-6-03, prescribes requirements and responsibilities for DOE accounting and financial management.
- b. To ensure effective financial management oversight, processes must be developed and implemented for—
  - (1) risk assessments,
  - (2) financial analysis,
  - (3) financial management reviews,
  - (4) financial performance goals and metrics, and
  - (5) coordination of oversight activities.
- c. The process must include procedures and methods for—
  - (1) ensuring that financial systems provide adequate information for managing resources to accomplish program goals;
  - (2) ensuring that financial managers provide accurate, relevant financial reporting to customers;
  - (3) assessing adherence to laws, regulations, and financial contract clauses;
  - (4) assessing effective, efficient use of government resources;
  - (5) evaluating and assessing the effectiveness of financial management oversight activities; and
  - (6) coordinating contractor financial oversight activities as appropriate in accordance with official contracting officer and contracting officer representative appointments and designations.

5. RESPONSIBILITIES.

- a. Chief Financial Officer (CFO).
  - (1) Oversees all DOE financial management activities in accordance with the Chief Financial Officers Act [Public Law (P.L.) 101-576], including

development and issuance of oversight policies and guidance and evaluating DOE financial management.

- (2) Approves Departmental financial management systems and ensures that DOE contractor systems subject to this Order are approved.
- (3) Ensures that the Department has adequate controls over funds in accordance with Title 31 United States Code (U.S.C.) 1514.
- (4) Ensures that DOE management controls are in place to detect and prevent fraud, waste, mismanagement, and abuse in accordance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA).
- (5) Establishes performance metrics for financial functions in accordance with the Government Performance and Results Act (GPRA) of 1993 and the Office of Management and Budget (OMB) guidance.
- (6) Reviews and analyzes activities throughout DOE to evaluate the adequacy of established policies, procedures, and standards governing accounting and related reporting functions; evaluates the performance of internal controls over those functions; and recommends corrective actions as needed.
- (7) Coordinates financial management oversight with NNSA, Departmental program offices, field and site offices, and the Power Marketing Administrations for areas under their cognizance.

b. NNSA Associate Administrator for Management and Administration.

- (1) Approves NNSA financial management systems and ensures that NNSA contractor systems subject to this Order are approved.
- (2) Establishes NNSA specific performance metrics in accordance with GPRA and OMB guidance.

c. Heads of Field Elements/Director of NNSA Service Center.

- (1) Establish adequate internal controls, policies, and procedures to help ensure field element adherence to DOE financial management policy.
- (2) Designate principal points of contact for financial management oversight.
- (3) Establish financial management oversight programs that are staffed adequately to carry out the duties assigned by this Order.

d. Field Chief Financial Officers (or Equivalents).

- (1) Oversee financial activities for organizations and contractors over which they have cognizance and ensure conformance to financial oversight guidance issued by the Department.
- (2) Identify resource needs and justify budget requests for personnel and other resources necessary to support DOE contractor oversight function.
- (3) Review Cost Accounting Standards (CAS) Disclosure Statements and sign changes thereto and advise the contracting officers regarding the adequacy of these statements, including indirect rate provisions and calculations.
- (4) Review and approve all plans for field element and DOE contractor financial management systems for compliance with cost accounting standards, policies and procedures promulgated by the Department, OMB, Congress, and other regulatory entities.
- (5) Provide counsel and guidance to contracting officers to support the approval process of contractor systems.
- (6) Evaluate financial systems to ensure that they are operating as intended and meet requirements for integrity, accuracy, and proper classification of financial data.
- (7) Ensure that financial managers provide accurate and relevant financial reporting to customers.
- (8) Monitor budget execution for programs and projects to ensure that resources are being expended as planned and in accordance with legal and administrative limitations.
- (9) In consultation with the DOE or NNSA Office of General Counsel, as appropriate, ensure contractor conformance with relevant appropriations and financial laws and regulations.
- (10) Ensure that funds availability is being certified in accordance with applicable policy and that work is not initiated in advance of receiving budgetary resources.
- (11) Ensure that financial managers analyze and review programs as required by FMFIA and obtain assurances from DOE contractors.
- (12) Perform necessary analyses and reviews to ensure that adequate internal controls, policies, and procedures are established and working effectively.

- (13) Assess contractor financial performance as part of the award fee process to ensure that contractor award fees related to financial activities are based on authorized, agreed upon scope and volume of work.
- (14) Review and analyze activities of organizations under their cognizance to evaluate the adequacy of established policies, procedures, internal controls, and standards governing accounting and reporting functions. This includes reviewing the adequacy of contractor internal audit functions.
- (15) Review and approve contractor statements of costs incurred and claimed.
- (16) Ensure adherence to standard financial management clauses in DOE contracts.
- (17) Support Departmental analysis and review activities.
- (18) Establish financial management performance metrics where applicable to monitor Federal and contractor performance. Coordinate with contracting officers to incorporate financial management performance measures into contracts as appropriate.

e. Contracting Officer.

- (1) Ensures that standard financial management clauses are included in DOE contractor solicitations and contracts, as appropriate.
- (2) Incorporates applicable financial management performance measures into DOE contracts.
- (3) Assists in resolving contractor financial management issues.
- (4) Approves CAS Disclosure Statement and significant changes thereto, in consultation with field chief financial officers.

f. Heads of Contracting Activities. Ensure that field chief financial officers or equivalents are designated by the contracting officers as contracting officer representatives for the administration of financial matters for DOE contracts within their cognizance.

g. Inspector General.

- (1) Considers requests for audit of DOE contractors' cost accounting standards disclosure statements.
- (2) Audits DOE contractors' annual statements of costs incurred and claimed where applicable.

6. REFERENCES.

- a. P.L. 100-679, Cost Accounting Standards Amendments to the Federal Procurement Policy Act Amendments of 1988, which requires certain contractors and subcontractors to disclose and follow their cost accounting practices consistently.
- b. P.L. 101-576, the Chief Financial Officers Act of 1990, which establishes the authority and functions of CFOs.
- c. P.L. 103-356, the Government Management Reform Act of 1994, as amended, which requires DOE [and other Agencies identified in 31 U.S.C. 901(b)] to prepare and submit annually to Congress and the Director of OMB an audited financial statement for the preceding fiscal year covering all organizations, accounts and associated activities of each office, bureau, and activity.
- d. P.L. 103-62, the Government Performance and Results Act of 1993, which requires establishment of strategic planning and performance measures.
- e. P.L. 104-208, Federal Financial Management Improvement Act of 1996, which provides requirements for Federal financial management systems.
- f. Title 32, P.L. 106-65, as amended, National Nuclear Security Administration Act of 1999, which established a separately organized agency within the Department of Energy.
- g. P.L. 97-255, Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512), which requires that internal management controls be established in accordance with Government Accountability Office (GAO) standards.
- h. 31 U.S.C. 1341, 1342, 1449-1351, and 1511-1591, the Antideficiency Act of 1870 (as amended), which states that no Federal officer or employee may authorize Government obligations or expenditures in advance of or in excess of an appropriation, unless otherwise authorized by law, and that no Federal officer or employee may accept voluntary services except as authorized by law.
- i. Title 48, Code of Federal Regulations (CFR), Chapter 9, the Department of Energy Acquisition Regulation, establishing uniform acquisition policies which implement and supplement the Federal Acquisition Regulation (FAR) 48 CFR, Chapter 1.
- j. DOE O 520.1 Chg. 1, *Office of Chief Financial Officer*, dated 1-27-01, which established requirements for designating a CFO for each executive department and improving financial information used by Government and Congress.
- k. DOE O 534.1B, *Accounting*, dated 1-6-03, which prescribes requirements and responsibilities for DOE's accounting and financial management.

1. *DOE Acquisition Guide*, Chapter 70.4, which provides guidance on CFO and contracting officer responsibilities for the approval of contractor financial systems.
7. CONTACT. Questions regarding this Order should be directed to the Office of Internal Review at 301-903-2551.

BY ORDER OF THE SECRETARY OF ENERGY:



CLAY SELL  
Deputy Secretary

**DEPARTMENTAL ELEMENTS TO WHICH DOE O 523.1 IS APPLICABLE**

National Nuclear Security Administration  
Office of Chief Financial Officer  
Office of Energy Efficiency and Renewable Energy  
Office of Environmental Management  
Office of Fossil Energy  
Office of Inspector General  
Office of Management  
Office of Nuclear Energy, Science and Technology  
Office of Science  
Southeastern Power Administration  
Southwestern Power Administration  
Western Area Power Administration

**DEPARTMENTAL ELEMENTS TO WHICH DOE O 523.1 IS *NOT* APPLICABLE**

Office of the Secretary  
Departmental Representative to the Defense Nuclear Facilities Safety Board  
Office of the Chief Information Officer  
Office of Civilian Radioactive Waste Management  
Office of Congressional and Intergovernmental Affairs  
Office of Economic Impact and Diversity  
Office of Electricity Delivery and Energy Reliability  
Office of Energy Information Administration  
Office of Environment, Safety and Health  
Office of General Counsel  
Office of Hearings and Appeals  
Office of Human Capital Management  
Office of Intelligence and Counterintelligence  
Office of Legacy Management  
Office of Policy and International Affairs  
Office of Public Affairs  
Office of Security and Safety Performance Assurance