

THIS PAGE **MUST** BE KEPT WITH **DOE 2200.6A**, FINANCIAL ACCOUNTING.

DOE 2200.6A, FINANCIAL ACCOUNTING, HAS REVISED DOE 2200.6 TO REFLECT ORGANIZATIONAL TITLE, ROUTING SYMBOL, AND OTHER EDITORIAL REVISIONS REQUIRED BY **SEN-6**. IN ADDITION: (1) CHAPTER III, PARAGRAPH **5b(6)** HAS BEEN REVISED TO REFLECT THE **NEW** REFERENCE OF THE **EMERGENCY** UNEMPLOYMENT COMPENSATION ACT **OF 1991 WHICH REPLACES THE FAMILY SUPPORT ACT OF 1988**; (2) CHAPTER VII, PARAGRAPH **2i (l)(b)** HAS BEEN REVISED TO INCLUDE GUIDANCE FOR THE DISCLOSURE OF LOSS CONTINGENCY ACCRUALS BASED ON MATERIALITY AND POSSIBLE IMPACT ON THE AGENCY'S FINANCIAL STATEMENTS AND OPERATIONS IN ACCORDANCE WITH TITLE II, GENERAL ACCOUNTING OFFICE POLICY AND PROCEDURES MANUAL FOR GUIDANCE OF FEDERAL AGENCIES; AND (3) CHAPTER IX, HAS BEEN REVISED TO REFLECT THE RESCINDING OF PREVIOUS PARAGRAPH **2g(2)(d)**, WHICH PROVIDED THAT A **CUSTOMER'S** CASH DEPOSITED INTO AN **ESCROW** ACCOUNT AT A FINANCIAL INSTITUTION CONSTITUTED A VALID BUDGETARY RESOURCE. PARAGRAPH **5b** HAS BEEN REVISED TO INCLUDE A REFERENCE TO **DOE 2200.5B** FOR DETAILED POLICY AND GUIDANCE FOR DETERMINING AVAILABILITY OF APPROPRIATIONS AND FUND BALANCES. PARAGRAPH **7b** HAS BEEN REVISED TO INDICATE THAT THE SECRETARY HAS DELEGATED AUTHORITY, ON A NONEXCLUSIVE BASIS, TO THE CFO TO ACCEPT PUBLIC DONATIONS. DUE TO THE NUMBER OF PAGES AFFECTED BY THE REVISIONS, THE ORDER HAS BEEN ISSUED AS A REVISION.



U.S. Department of Energy

Washington, D.C.

ORDER

DOE 2200.6A

1-7-93

SUBJECT: FINANCIAL ACCOUNTING

1. **PURPOSE.** To provide Department of Energy (DOE) policy and general procedures for the financial management of cash, advances, receivables, inventories, and Investment of funds; accountability for plant and capital equipment; current and long-term liabilities; and accounting for equity, reimbursable work, revenues, collections, and expenses.
2. **CANCELLATION.** DOE 2200.6, FINANCIAL ACCOUNTING, of 10-24-88.
3. **SCOPE.** The provisions of this Order apply to all Departmental elements and integrated contractors performing work for the Departmental provided bylaw and/or contract and as implemented by the appropriate contracting officer.
4. **EXCLUSION.** The Bonneville Power Administration 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. In following the generally accepted accounting principles and meeting legislative requirements, the Bonneville Power Administration will, from time to time, deviate from the provisions of this Order.
5. **REFERENCE.** DOE 2200.4, ACCOUNTING OVERVIEW, Attachment, "References," provides a consolidated listing of authoritative reference sources for all subject matter contained in the accounting directives (DOE 2200 series).
6. **OBJECTIVE.** To ensure that all assets, liabilities, equity, revenue, and expense accounts are properly maintained and are consistent with public law, the Office of Management and Budget, the Department of the Treasury, and the General Accounting Office.
7. **DEFINITIONS.** DOE 2200.4, Attachment, "Definitions," provides a consolidated glossary of financial terms used in the accounting directives. In some instances a term may be defined within the text of an Order where its use is limited to the immediate text.

DISTRIBUTION:

All Departmental Elements

INITIATED BY:

Office of Chief Financial
Officer

1-7-93

8. **RESPONSIBILITIES.** DOE 2200.4, Chapter III, "**Responsibilities,**" contains the responsibilities for accounting directives. In some instances, **responsibilities may** be contained within the text of an Order where their **use is limited to** the immediate text.

BY ORDER OF THE SECRETARY OF ENERGY:



DOLORES L. ROZZI
Director of Administration
and Management

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CHAPTER I

CASH

1. INTRODUCTION.

Purpose. To prescribe the policies and general procedures for handling cash and for transactions in which **cash is** involved.

Background. Cash is actual money and instruments and claims generally used and accepted as money. The use of contractor-issued credit cards to purchase travel and related expenses is **covered in DOE 1500.4A, TRAVEL CHARGE CARD PROGRAM, of 4-22-91.** Public **money is** all specie, currency, or instruments having monetary value received on **behalf of** the United States from sales, refunds, discounts, fees, pledged deposits, collections, or other transactions.

Applicability. The **applicability of** this chapter is specified in DOE 2200.4, ACCOUNTING OVERVIEW, Chapter I. "**Introduction,**" paragraph 1.

Requirements.

- (1) Accounting **for cash** from its receipt **to final** disposition must include the safeguards necessary to ensure proper control as outlined in DOE 1000.3B, INTERNAL CONTROL SYSTEMS, of 7-5-88. Personnel handling cash or involved in making accounting transactions affecting cash are responsible for receiving, safeguarding, recording, depositing, and disbursing **cash on** a timely basis and for keeping the required records and accounts. (See 18 U.S.C. 643, 652, 653, 648, 1901, 2073; 31 U.S.C. 490, 521, 525.)
- (2) Employees handling public money must account for its receipt **and disposition and** are personally liable for such funds. Failure to account for public money is a violation of the Federal Criminal Code.
- (3) No employee shall convert to personal use, loan (with **or without** interest), **deposit in** any bank, or exchange for other funds any public money, except as specifically allowed by law.
- (4) No employee shall use public funds for the purpose of cashing checks **of any** kind, whether public or private.
- (5) No employee shall use the funds or property of the United States to carry on any trade or business nonspecifically authorized by law.
- (6) No employee shall withhold **public funds** or any portion thereof without specific legislative authorization.

- (7) Field Element Chief Financial Officers (Field CFO's) shall follow the principles of cash management contained herein and described in detail in volume I, **part 6**, chapter 8000, of the Treasury Financial Manual (ITFM 6-8000) .
- (8) Collections **and all** other funds held within the finance organization, including negotiable instruments, **traveler's** checks, airline tickets, and other cash instruments, whether pending regular deposit **or in imprest** funds, shall be handled as cash, kept under complete control and under proper physical safeguards. **At a minimum**, they shall **be kept in a fire-resistant combination safe or safe-cabinet**.
- (9) Field CFO's shall continuously review the operations under their **supervision**. Deficiencies shall be corrected promptly and, where required, reported to higher levels of management.

e. **Review and Monitoring of Cash Management.** Effective cash management includes the timely **collection of** receipts, prompt deposit of collections, use of appropriate disbursement methods, and the elimination of idle cash balances. The purpose of cash management **is to** make the most effective use of the Government's cash resources **at all** times. Each Field CFO shall maintain written internal procedures for cash management and shall monitor **the office's** cash management practices. **The monitoring** shall include an annual cash management review, using the TFM supplement "Cash Management Review Guide." If there have been significant changes to the cash flows originally **documented for a fiscal** year, a new Cash Flow Report shall be recompleted, in accordance with ITFM 6-8000. In all other instances, the certification document **appearing as** Attachment I-1 shall be prepared annually and sent to the Chief Financial Officer (CFO; CR-1) for review.

2. **COLLECTIONS AND DEPOSITS.**

- a. **Collection Mechanisms.** The most cost-effective **collection mechanism or combination of mechanisms** shall be selected for each type of receipt that results in the earliest deposit of cash into the Department of the Treasury. The following are specific collection and deposit mechanisms and general **descriptions of** when their use is appropriate:
 - (1) **Electronic Funds Transfers.** Electronic funds transfers (EFT's) are methods of transferring funds by electronically exchanging information.
 - (2) **Lockboxes.** A lockbox is a collection system that promptly converts checks into funds **available to** the Department of the Treasury. The Federal Automated Lockbox Network consists of financial institutions **selected by** the Department of the Treasury based on nationwide bids and located throughout the United States to provide for optional mail **delivery to** accept deposits. Generally, **lockboxes** are used for low-dollar, high-volume **receipts—for** example, fees and loan repayments.

- (3) Deposits with Financial Institutions are cash and checks received directly by DOE that are deposited, either **by mail** or over the counter, with financial institutions (banks, savings and loans, or credit unions) that have been designated by Department of the Treasury as approved depositories. Deposits received by those institutions are credited **to the** Department of the Treasury's account in the Federal Reserve System for immediate **credit if** they are received during normal business hours.
- (4) Credit Cards. As a result of a Government-wide initiative jointly sponsored by the Office of Management and Budget and the Department of the Treasury's Financial Management Service (FMS), Federal agencies may accept credit cards (VISA and Mastercard) for collection of debt. FMS has entered **into a** contract with several banks to provide credit card services. Additionally, **FMS will** pay for all basic costs **of implementing** a standard credit card services package. Site support costs and costs for any incremental services will be the **responsibility** of each DOE user. Site support costs, however, are minimal. Field offices interested in this collection mechanism must **use an** FMS-approved bank and should contact the Office of Financial Policy (CR-20) at Headquarters for additional information.
- b. Electronic Funds Transfer Collections.
- (1) The Department of the Treasury uses the following Federal Reserve bank (FRB) EFT networks for collecting funds.
- (a) FEDWIRE funds transfers are effected through an FRB telecommunications network that provides immediate (same-day) credit to the receiving party.
- (b) Automated Clearinghouse (ACH) funds transfers are effected through this FRB network via **various** electronic information exchanges, such as magnetic tapes or disks, computer printouts, or data transmissions. It generally **takes 2 or 3 days to** receive a funds transfer through ACH.
- (2) General procedures for use of EFT areas follows:
- (a) **EFT (ACH or FEDWIRE)** shall be used whenever it is advantageous to the Government. Written approval to use EFT must be obtained from the Department of the Treasury in advance for each class or **type of** deposit before advising depositors **on use of EFT**. Approval is also required whenever the average deposit volume **of an** approved deposit activity is expected to increase substantially. These requests to authorize EFT use shall be resubmitted **to the** CFO, in accordance with **ITFM 5-4500**, for transmittal to the Department of the Treasury.
- (b) Upon receipt of Department of the Treasury approval and specific instructions for EFT system use, depositors shall be notified by the cognizant finance office regarding procedures for EFT deposits.

c. Federal Automated Lockbox Services.

- (1) General. Lockboxes should only be used when cost-effective, **as there is a charge for their use.** Features of a lockbox collection system include the following:
 - (a) Remittances are sent directly to a post office box reserved for DOE by the lockbox financial institution **instead of being sent directly to DOE.**
 - (b) The lockbox financial institution picks up and opens the mail several times throughout the day and night and processes the funds and remittance data.
 - (c) The lockbox financial institution **deposits the funds to the Department of the Treasury's General Account at the FRB by wiring the funds to the FRB either on the business day of or the business day following receipt of the funds.**
 - (d) Remittance data are usually received by DOE on the same day or the next business day after receipt of remittance by the lockbox financial institution.
- (2) Types of Lockboxes.
 - (a) Wholesale Lockbox. A wholesale lockbox service is designed to process a relatively small number of transactions representing large dollar amounts and involves the manual processing of traditional invoice documents.
 - (b) Retail Lockbox. A retail lockbox service is designed to process a large number of transactions and low dollar amounts and uses machine-readable documents for automated processing through optical character recognition (OCR). Specific remittance data are captured and stored on magnetic tapes or disks and transmitted to DOE for posting accounting entries.
 - (c) Electronic Lockbox. An electronic lockbox service can process both paper remittances and electronic transactions. Remitters can make payments through the ACH network, by wire transfers, or by direct check mailing. There are no specific criteria concerning volume and dollar amount of transactions for an electronic lockbox.
- (3) Implementation. Detailed specifications and terms of financial institution compensation shall be based on Department of the Treasury guidelines and incorporated into a memorandum of understanding that the Field CFO, the representative of the Department of the Treasury, and the representative of the selected institutional must sign. The memorandum will be executed in accordance with DOE 1280.1A, MEMORANDUMS OF UNDERSTANDING, of 11-15-91. Prior to implementation, all details of the lockbox service

shall be tested and proven. The **Department of** the Treasury and the Field **CFO** shall review the **lockbox** service after implementation to ensure that it is **operating as** anticipated and within acceptable costs.

- d. **Department of the Treasury General Account.** Specific regulations and criteria have been established by the Department of the Treasury (I TFM 6-8000) governing deposits by Government agencies; they shall be followed. Direct **collections consist of** cash (currency and coins) and checks received directly by DOE for deposit into the **Department of** the Treasury. Each Field **CFO** shall establish procedures consistent with effective internal controls to manage and expedite the deposit of all receipts. Procedures shall incorporate the following requirements:
- (1) Cash and check **collections** shall be decentralized. personnel collecting cash and checks should not be involved in any way with certifying vouchers, **functioning as** cashiers, preparing deposits, or keeping accounts, nor shall they have access to the accounting records. Special controls must be developed and in place **if the size of an organization's** staff prohibits separation of duties.
 - (2) Independent accounting control **s over cash** and check collections shall be established. At a minimum, records that adequately describe the nature and amount of each cash or check receipt **shall** be maintained.
 - (3) All cash items shall be listed in duplicate **immediately** upon receipt as the envelopes are opened. A copy of the listing shall be delivered **to the** person responsible for reconciling of collections and deposits.
 - (4) Over-the-counter cash **collections** shall be acknowledged by prenumbered receipts. A sufficient number of copies of the receipts shall be prepared to meet local needs.
 - (5) Checks, money orders, and other cash instruments received should be payable **to the** U.S. Department of Energy, or so endorsed. Remittances received shall be inspected to ensure that they are properly completed and are, in fact, payments to DOE. Checks received that **are payable** to the Department of the Treasury or bearing similar inscription shall **be deposited** immediately. If it is subsequently determined that a deposited check was not for payment **of a** DOE account, a Department of the Treasury check in the amount of the deposited check shall be scheduled for payment **to the** remitter, and the remitter shall be notified of the action taken.
 - (6) Negotiable instruments, such as checks, must be endorsed as **prescribed in** paragraph **2e(3)** on receipt.
 - (7) An erroneously prepared check that has been **rejected by DOE or the financial** institution shall be returned to the payer with a letter requesting that the check be reissued correctly. **Followup** shall be made to ensure that payment is **received**.

- (8) **A remittance** received that is for an amount less than the amount owed shall be deposited. **A letter** or new billing shall be sent to the remitter requesting payment of the **unpaid** balance of the bill **or an** appropriate explanation of **the difference**.
- (9) A remittance received that **is for an** amount greater than the actual amount owed shall **be deposited**. The remitter shall receive credit for the **over-**payment on the next invoice, **or a** refund shall be paid. The **remitter** shall be promptly **notified of** the action taken.
- (10) **The time value of** cash gained by prompt **billing** to, and prompt payment by, non-Government entities is lost when the **receipts** are not deposited promptly. Set forth below are DOE processing procedures that shall be followed in conjunction with Department of the Treasury and General Accounting Office (GAO) Policy and Procedures Manual for **Guidance of** Federal Agencies. Modifications in these procedures may be necessary at some finance offices due to such factors as size of staff, organization, physical arrangements, physical proximity to financial institutions, and routing of documents. Each organization should periodically review its collection options to ensure that the most cost-effective procedures are used. The frequency of deposits shall be determined by the cumulative daily dollar volume of cash received by the depositing office. The basic deposit requirements areas follows:
- (a) Receipts **totaling** \$1,000 or more shall be **deposited daily with an** authorized depository, except for checks and money orders received as **bid deposits, which** shall be held and returned uncashed to the unsuccessful **bidders**.
- (b) Receipts of less than \$1,000 may be accumulated and deposited when the total reaches \$1,000 or by Friday of each week, regardless of the amount collected. Department of the Treasury checks shall **be deposited**, either over the counter or **by mail** in the FRB or branch **with a** properly completed Standard Form 215 (SF-215), "Deposit Ticket." Although same-day **mailing** or deposit **is** preferred, weekly **mailing is** acceptable.
- (c) Over-the-counter deposits **with an** FRB or a Federal Reserve branch, **excluding** Department of the Treasury checks, shall be made as soon as **practical**, but not later than **noon** on the next business day after receipt or accumulation of \$1,000 or more. Only offices with **immediate access to an** FRB or a Federal Reserve branch shall **use its facilities**. **Finance offices that do** not have access **to an** FRB or a Federal Reserve branch shall make arrangements to use **a local** financial institution that is authorized by the Department of the Treasury to accept deposits to Department of the Treasury accounts. These arrangements must be approved by the Department of the Treasury and coordinated through the CFO. If the Department of the Treasury determines that **it is not in** the best interest of the Government to **use a** local financial institution, the deposits shall be **mailed to**

the appropriate **FRB** or Federal Reserve branch. The mailing of deposits to a financial Institution must be specifically authorized by the Department of the Treasury through the **CFO**.

- (d) For over-the-counter deposits with financial institutions, the depositing organization shall establish a cutoff time **for the preparation** of deposits and schedule processing of receipts to maximize funds deposited each day.
- (e) **Deposits** should be delimited to one each **day** and timed to meet the cutoff **time to** be reincluded in the transactions posted for the day of the deposit.
- (f) A deposit receipt shall be obtained promptly from the depository and shall be retained as an accounting record.

e. Preparation of Deposits.

(1) General.

- (a) Cash collections shall be deposited to the proper agency location code (**ALC**) and shown **on the SF-215**. Collections that cannot be allocated to any specific appropriation, fund, or receipt account at the time of receipt shall be recorded by DOE field elements in Suspense **89X6875** and by integrated contractors in the account Cash with Integrated Contractors until the correct account is determined.
- (b) Persons who prepare deposits shall be other than those who receive cash. They shall not record entries to accounts receivable, certify vouchers, or have access to any cashier funds or other cash records unless the conditions of paragraph **2d(1)** are met.

- (2) Examination of Remittances. Each remittance shall be examined to determine whether **it is** acceptable. If currently dated or undated and otherwise negotiable, it **should be** accepted: if postdated, it shall not be accepted unless there is a preexisting agreement to do so. If postdated checks are accepted, the payments they represent shall not be posted until the date on the check or the date the check is **cleared by** a financial institution, whichever is earlier. Sound **judgement must be used in** returning postdated checks to the sender to ensure that returning the check will not **result in** receiving payment later than the date shown on the check in hand. The amount expressed in writing and the amount expressed in figures **should be** in agreement. If they are not in agreement, then the written amount **determines** the monetary value of the check. Examination shall also be **made to** determine whether the remittance is improperly signed and, when required, countersigned. These procedures apply to checks payable in U.S. dollars through U.S. banks. Checks **payable in** foreign currency preprocessed as described in paragraph **2e(6)**.

- (3) Preparing Checks for Deposit. SF-215, "Deposit Ticket, " should be used for depositing remittances. Instructions for completing the SF-215 are in ITFM 5-2000. All Federal program agencies depositing checks with Federal Reserve banks or commercial depositories must use the payee endorsement area located 1.5 inches beginning at the trailing edge of the check. Refer to TFM Bulletin 88-10. All checks deposited shall include the following:
- (a) The name and the address of the depositing organization.
 - (b) The depositing office agency location code.
 - (c) The statement "Pay to the order of any Federal Reserve Bank or Branch or General Depository for credit to the United States Treasury."
 - (d) The date of the endorsement.
- (4) Deposits with a Federal Reserve Bank or Branch. Separate cash from checks and prepare a separate SF-215, "Deposit Ticket," for each. Checks deposited with an FRB need not be sorted but must be accompanied by an adding machine tape or other listing showing the amount of each item and the total amount of the deposit.
- (5) Deposits with Commercial Financial Institutions. Financial institutions' sorting requirements are nonstandardized; therefore, the requirements of the individual depositories shall be observed. Any checks drawn on the Department of the Treasury shall not be redeposited in a general depository.
- (6) Processing Checks Payable in Foreign Currency.
- (a) Each DOE Field CFO may make arrangements with the regular depository for the deposit of checks drawn in a foreign currency. The Mellon Bank has been designated the depository for checks payable in foreign currency if a local depository is not used. The mailing address at the Mellon Bank for checks drawn in a foreign currency is:

Mellon Bank
U. S. Treasury Foreign Collection Operations
P.O. Box 371782 M
Pittsburgh, PA 15251

The Mellon Bank has established minimum values for checks that it will accept for deposit. Those minimums, expressed in U.S. dollar equivalents, are \$4.00 for checks drawn on Canadian banks and \$10.00 for checks drawn on other foreign banks. However, DOE organizations

may set minimum check limitations higher in consideration of the following charges that may be **incurred by** the depositor:

Checks less than the above minimums	\$2.00 per item
Returned Items	\$20.00 per item
Tracers	\$5.00 per item
Minimum check deposit return fee	\$2.00 per item
Exchange fees	Unknown
Subsequent collecting bank charge	Unknown

- (b) It is the responsibility of the **depositing organization** to transmit foreign checks, accompanied by an original **SF-215, "Deposit Ticket,"** to the Mellon Bank in accordance with the following procedure:
- 1 **U.S. -Dollar Foreign Checks.** A single SF-215 shall accompany all U.S. -dollar foreign checks not payable through banks in the United States that are forwarded to the depository on a single day. Complete the SF-215 as prescribed in I TFM 5-3020, including the insertion of the U.S. dollar amount. Upon receipt at Mellon Bank, the SF-215 will be dated, and the confirmed copy will be returned **immediately** to the depositing organization.
 - 2 **Foreign Currency Foreign Checks.** A separate SF-215 must accompany each foreign currency foreign check forwarded to the depository. Complete the SF-215 as prescribed in I TFM 5-3000, but leave the amount blank. Upon collection of the item, the Mellon Bank will enter the U.S. dollar value on the corresponding SF-215 and return the dated, confirmed copy to the depositing organization.
- (c) In accordance with I TFM 5-2030, a photostatic copy of each check must be maintained, to permit duplication if the check is lost, destroyed, or mutilated.
- (d) Checks returned **due to "insufficient funds"** will be processed a second time by the Mellon Bank before being returned to the depositor. **"Other nonpayment"** checks (checks returned unpaid for reasons other than insufficient funds) are charged against the Department of the Treasury's General Account after the first presentation. Mellon Bank mails a tracer each month to the collection bank **if the collection process** is not complete within **30 days**. Any check that proves uncollectible after **120 days** is charged back to the depositor by Mellon Bank. The total amount of returned uncollectible checks, returned item fees, exchange fees, tracers, and any other charges incident to the collection of the foreign checks, assessed after the dollar credit has been posted in the Department of the Treasury's accounts, is charged back to the depositor through Mellon Bank's execution of **SF-5515, "Debit Voucher."** Copies of the **SF-5515** are forwarded to the depositor as prescribed in I TFM 5-5000. The fees are charged to the fund or appropriation generating the revenue.

(7) Uncollectible Items-Debit Voucher. Upon receipt of an unpaid check or copies of the SF-55 15, "Debit Voucher," from the depository, depositors shall adjust their accounts and proceed at once to collect the amount as though no check had been received.

f. Payroll Deductions. Deposits of savings bonds, taxes, and other payroll deductions are made in special deposit accounts. For additional information on payroll deductions, see DOE 2200.9B, MISCELLANEOUS ACCOUNTING, Chapter I, "Payroll Accounting."

9. Reporting and Reconciling Collections and Deposits.

(1) Large Deposits. Large transactions affecting Department of the Treasury balances must be reported promptly. Deposits totaling \$10 million or more in one transaction, other than Department of the Treasury checks, OPAC payments, or 1081 payments, shall be reported to the RFC on the day of deposit. The name of the agency, the amount deposited, and the name and location of the depository will be reported. It is not necessary to report EFT wire deposit of \$10 million to \$50 million, because this information is available to the Department of the Treasury. However, Field CFO's who have advance knowledge of extraordinary deposits through EFT in excess of \$50 million should advise the Department of the Treasury of such deposits. The large deposit report shall be sent by wire (commercial facilities, TWX 7108229201, 02, 03, or 04) to:

Funds Control Branch
Accounting Group
Financial Management Service
Department of the Treasury
Treasury Annex No. 1, GAO Building, Room 2817
Washington, DC 20226

(2) Statement of Transactions.

(a) For instructions on content, preparation, and submission of SF-224, "Statement of Transactions," see ITFM 2-3300 and DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING, Chapter III, "External Reporting."

(b) Deposit tickets shall be reconciled to records maintained by the person receiving cash and checks. This reconciliation shall be made frequently, and a daily proof of cash shall be prepared where large volumes of cash are handled daily.

(3) Reconciliation of Receipt Account Ledgers.

(a) The Department of the Treasury consolidates all accounting data received into the Government On-Line Accounting Link System (GOALS) and each month furnishes DOE with TFS Form 6652. "Statement of Differences."

- (b) Each organization that prepares an SF-224, "Statement of Transactions," shall compare records of deposits that were mailed or presented to the bank and reported on the SF-224 with records of deposits that were reported back to DOE Field CFO's by the banking system. Any discrepancies between the SF-224 and deposits reported through the banking system shall be adjusted by the DOE Field CFO or the Department of the Treasury, as appropriate. Correction of Department of the Treasury errors shall be coordinated with the originating Department of the Treasury office.
- (c) Deposit differences that have aged 6 months are subject to an adjustment to the Budget Clearing (Deposits) account by the Department of the Treasury (ITFM 2-1500). Adjustments to the Budget Clearing (Deposits) account are discussed in further detail in I TFM 2-3100 and 2-3300.

3. DISBURSEMENTS.

- a. Introduction. The principal objectives of controls over disbursements are to ensure that all disbursements are legal, proper, correct, and timely and that all disbursements are recorded accurately and reported promptly. Specific detail on accounting entries for disbursements are contained in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES .
- b. Methods of Making Disbursements. All disbursements, except those authorized to be made in cash, shall be made by checks drawn on the Department of the Treasury or by Department of the Treasury Funds Transfer Systems. Title 7, chapter 7, of the GAO Policy and Procedures Manual for Guidance of Federal Agencies (7 GAO 7) contains guidance relating to disbursements. As provided in title 31, section 3321, of the United States Code, DOE funds other than payments made through the imprest fund are disbursed by the Department of the Treasury. Disbursements through letters of credit are covered in paragraph 7.
- (1) Department of the Treasury Disbursement and General Services Administration Forms.
- (a) The Department of the Treasury has the responsibility for all disbursement forms, except that the General Services Administration (GSA) has responsibility for forms dealing with transportation and travel expenses. Department of the Treasury disbursement forms are described in I TFM 4-2000. (Refer to 41 CFR part 101-141 for policies and procedures covering payment for domestic and foreign transportation services.)
- (b) All disbursements, whether in cash, by EFT, or by checks drawn on the Department of the Treasury, for authorized and lawful payments shall be processed on voucher schedules prescribed by the Department of the Treasury or GSA as appropriate.

(2) Department of the Treasury Payments on Standard Form 1166 OCR. " Voucher and Schedule of Payments . "

- (a) General. DOE shall use SF-1166 OCR, "Voucher and Schedule of Payments," and SF-1167 OCR, "Continuation Sheet," to schedule payments through the Department of the Treasury Regional Financial Centers (RFC's). Each basic voucher (invoice) shall be listed on an SF-1166 OCR with all information required for check issuance purposes. Invoices supporting each completed SF-1166 OCR shall be retained in accordance with DOE 1324.2A, RECORDS DISPOSITION, of 9-13-88.
- (b) Accountability and Control. Accountability records must be maintained for the purpose of controlling the stock of SF-1166 OCR's on hand and for fixing accountability and responsibility for their issuance and use. To facilitate such control, each SF-1166 OCR and SF-1167 OCR is imprinted in sequence with an alphanumeric code at the time of printing. SF-1166 OCR's do not have to be submitted to Department of the Treasury RFC's in strict alphanumeric sequence. However, each certifying officer shall be assigned a range of pre-numbered SF-1166 OCR's, and the range should be retransmitted to the Department of the Treasury RFC on SF-210, "Signature/Designation Card for Certifying Officer."
- (c) Preparation. The SF-1166 OCR is prepared in original and one copy. Where applicable, payment information that designates a mailing address must include the ZIP Code. The original SF-1166 OCR is sent to the Department of the Treasury RFC for payment processing, and one copy is retained by the originator. Submit SF-1166 OCR's to allow payments to be issued as close to the payment due date as possible. The time required for mail to reach the RFC must be considered in the due date scheduling process to ensure payment by the due date. The payment date is the date of the check. The Department of the Treasury prepares check payments from SF-1166 OCR's by an optical character reading process or from computer magnetic tapes. On an exception basis, checks for individual payments of \$1 million or more, foreign currency payments, and cashier advances are prepared manually by the Department of the Treasury.
- 1 Computer Magnetic Tape. Computer magnetic tape is the preferred medium for submission of payment data to the RFC. Each tape should contain a minimum of 100 separate payments. If the Field CFO is unable to meet this minimum, it is at the discretion of the Department of the Treasury RFC to accept a tape with fewer than 100 records. Each Field CFO should submit only one magnetic tape per day for a particular class of payments, as noted in paragraph 3b(2)(c)4b; separate SF-1166-EDP's must be prepared for certification of transportation and for each ALC on a tape. Computer-generated SF-1166-EDP's are the supporting documentation for check-issue media submitted on magnetic tape. The provisions of I TFM 4-2000 generally apply to the SF-1166-EDP. However, the

SF-1166-EDP is limited to such data as tape reel number, check volume, amount, and certification. Individual payment data for check inscription are not required on the SF-1166-EDP.

- 2 OCR Format. Field CFO's unable to produce computer magnetic tape and SF-1166-EDP's must certify payments on an SF-1166 in an OCR format so that payments can be reprocessed automatically on OCR equipment.
- 3 Foreign Currency Vouchers. Foreign currency vouchers require that an additional copy of the SF-1166 OCR be prepared and submitted to the RFC. The Department of the Treasury must give prior approval before the Field CFO can make use of the foreign disbursing facilities. For specific details for foreign currency payments, refer to ITFM 4-2000.
- 4 Detailed Instructions. Guidelines for entering information on the SF-1166 OCR are found in ITFM 4-2000. Typing requirements and guidelines for SF-1166 OCR's to be processed by OCR equipment are contained in the OCR Voucher Preparation Manual, available from Department of the Treasury RFC's.
 - a Numbering Invoices and Other Supporting Vouchers. Each invoice or voucher must be cross-referenced to the SF-1166 OCR by a DOE contract number, a purchase order number, or some other identification, to enable positive association between the invoice and the SF-1166 OCR. Depending on the system used for numbering basic vouchers, invoices, or bills, the first column of the SF-1166 OCR may or may not be used. This column must be used on SF-1166 OCR's covering transportation services.
 - b Separate Scheduling of Transportation Vouchers. Field CFO's are required to schedule transportation charges, including certificates of settlement for transportation vouchers, separate from other payments on SF-1166 OCR's. The office authorizing the payment may prefix the SF-1166 OCR serial number with the letter "T" for transportation payments. Vouchers should be segregated into the following general classifications for processing on separate SF-1166 OCR's.
 - i Transportation Vouchers include the following:
 - aa Vouchers for freight and passenger transportation charges payable in U.S. dollars;
 - bb Vouchers for freight and passenger transportation charges payable in foreign currency; and
 - cc "No-check" vouchers, requiring no action by the RFC.

ii Vouchers Other Than Transportation include the following:

- aa Payroll vouchers;
- bb Travel vouchers;
- cc Vouchers payable in foreign currency;
- dd "No-check" vouchers, requiring no action by the RFC;
- ee EFT payment vouchers;
- ff Vendor payment vouchers; and
- gg All others.

c Combining Invoices into a Consolidated Payment. To minimize the number of schedules prepared and checks issued by disbursing officers, payments for multiple invoices or bills for supplies furnished or services rendered may be consolidated into a single payment, provided that:

- i Payment is to a single office or place of business of the vendor;
- ii Payment is for a single Government establishment;
- iii The consolidated payment is agreeable to the vendor;
- iv No loss of discount will result; or
- v Payment is made when due, in accordance with the Prompt Payment Act.

5 Department of the Treasury Turnaround Schedule. Department of the Treasury RFC's will make every effort to adhere to a 24-hour (in today, out tomorrow) processing schedule for payments submitted on computer magnetic tapes or in an OCR format that do not include manual enclosures. Payments that require manual enclosures may take up to 72 hours for processing and mailing.

- (d) Cancellation of Payments. Described below is DOE policy for processing canceled checks certified for disbursement by the Department, processing checks that are not available for cancellation, and processing claims by payees resulting from nonreceipt, loss, theft, destruction, mutilation, or forgery of Department of the Treasury checks.

1 Checks That Are Not To Be Canceled.

- a** Checks drawn for **cash** or for advances to cashiers that are subsequently found not required shall not be processed for cancellation. The checks shall be endorsed **and deposited** as cash collections for credit to the appropriate account(s).
- b** When a Field **CFO** comes into possession of a check on which an **SF-1184, "Unavailable check Cancellation,"** has previously been submitted to the **Department of the Treasury**, the check shall be annotated "NOT NEGOTIABLE, PREVIOUSLY TREATED AS CANCELED, **SF-1184 DATED -**." The Field **CFO** shall then forward the check to the Department of the **Treasury's Division of Check Claims**, in accordance with **ITFM 7000**. Checks on **which an SF-1184** has been issued shall not be released to the payee, canceled, or otherwise redeposited.

2 Cancellation of Available Checks.

- a** An available check is **a check that is** in the possession of DOE or the Department of the Treasury **RFC** and for which **cancellation** will be made by use of **SF-1098, "Schedule e of Canceled or Undelivered Checks."**
- b** The Department of the Treasury will create a **computer-generated SF-1098** for checks in its possession and forward the list to DOE, together with a support listing for cancellations of miscellaneous and salary payments that DOE has certified.
- c** DOE will be provided payment identification information on the support listing from information obtained from the faces of paper checks. DOE will also be provided with a **facsimile of** each canceled check by the Department of the Treasury.
- d** For control purposes, **SF-1098** schedule numbers must increase by one for each schedule generated for **a particular DOE location**. For internal control, Field **CFO's** shall maintain **a log** for these numbers.
- e** Transmittals of erroneously issued checks must include the name and address of the returning DOE field element; its **ALC**; the amount, the payee, and the date of the check; and the number of the **SF-1166 OCR** used to generate the original disbursement. The **Department of the Treasury** will then furnish DOE **with a** computer-generated **SF-1098** canceling these checks.
- f** Upon receipt of notification of cancellation from the **Department of the Treasury**, the Field **CFO** shall credit **the appropriation or** fund originally charged for the disbursement and, if

necessary, **certify a** new disbursement. Payables shall be **established as** necessary.

g Undeliverable checks shall be returned to the Department of the Treasury RFC.

3 Checks Unavailable for Cancellation.

a A check that is not in the possession of **a Field CFO or the** Department of the Treasury RFC is considered unavailable for cancellation.

b Field CFO's shall prepare **SF-1184, "Unavailable Check Cancellation,"** to cancel unavailable Department of the Treasury checks, including instances where:

i The payee **initiates a** claim for the proceeds of a check that has not been received or that has been lost, stolen, mutilated, or destroyed;

ii **A Field CFO** determines that the payee is not entitled to the proceeds of a check not in the **possession of** either DOE or the RFC;

iii The payee claims the **check was** stolen; or

iv **A Field CFO** requires a photocopy of the check for administrative purposes.

c The **SF-1184 must be typed** and signed by unauthorized **certifying** officer. After detaching the DOE copy, the Field CFO shall forward the remaining copies of the **SF-1184 to** the Department of the Treasury RFC. The Department of the Treasury will credit **89F3880, Unavailable Check Cancellations** and Overpayments-Suspense, when the check is canceled. When an accomplished copy of the **SF-1184** is returned from the Department of the Treasury, the actions indicated will be taken to clear the entry.

d Detailed instructions for the preparation and use of the **SF-1184 are found in TFM Bulletin 83-28 and are included in I TFM 4-7000.** These instructions also contain procedures for the issuance of checks replacing lost, stolen, destroyed, mutilated, or forged checks.

(3) Electronic Funds Transfer Payments. The Department of the Treasury uses the Federal Reserve **System's** ACH and FEDWIRE funds transfer network to effect EFT payments. A description of each system and instructions on its use follow.

- (a) **FEDWIRE Payments.** FEDWIRE is an FRB telecommunications network that provides for an immediate transfer of funds. The system that preceded FEDWIRE was the Standard Payment Subsystem of the Treasury Financial Communications System (TFCS), which was a computer-to-computer link between the Department of the Treasury and the Federal Reserve Communications System. FEDWIRE is only for payments over \$5,000. The receiving party's account is always credited the same day the funds transfer is processed by the Department of the Treasury. The requirements for processing FEDWIRE payments are provided below.
- 1 **Approval.** Field CFO's must request advance written approval from the Department of the Treasury through the CFO for each class or type of payment activity. Because specific approval is required for each class or type of payment activity, the Department must submit an additional request for each new class or type of payment activity that is substantially different from those approved previously. A request for approval is also required at anytime that the average payment volume of an approved payment activity is expected to increase substantially. Field CFO's desiring to use FEDWIRE should submit a letter to the CFO requesting approval. The CFO's staff will complete the questionnaire contained in appendix 1 of I TFM 4-2500 and forward the questionnaire and letter requesting approval to the Department of the Treasury Financial Management Service. FEDWIRE payment requests that are not covered by a formal written approval will not be reprocessed by the Department of the Treasury. Verbal approval may be given in emergency cases by the Assistant Commissioner for Field Operations of the Financial Management Service. However, a written request and formal approval must follow each such action.
 - 2 **Same Day Payment.** EFT payment requests must be received by the RFC in time to accomplish funds transfers before Federal Reserve Communications System closing time. To ensure same-day payment, SF-1166 OCR's must be received by the RFC not later than 1:00 p.m., eastern time. FEDWIRE will not be available to make payments during any period of time that the FRB of New York or the RFC is closed.
 - 3 **Holidays.** RFC's authorized to issue EFT payments will notify Field CFO's of holidays observed by the RFC and the FRB of New York. Field CFO's are responsible for notifying the RFC of holidays observed by banks that will be receiving EFT payments.
 - 4 **Maximum and Minimum Dollar Amounts.** Under FEDWIRE, the maximum dollar amount that can be sent in a single payment transaction message is \$999,999,999.99. No single payment in excess of this amount will be accepted for processing by the Department of the Treasury. The Department of the Treasury has the authority to establish and revise the minimum dollar amount for a single payment transaction message within a particular class or type of

payment activity. The minimum limitation is **established by** the Assistant Commissioner for Field Operations and **is included in** the letter of approval .

- 5 Reporting.** FEDWIRE payments shall be included with other DOE disbursements and reported infections **I and II of SF 224**, "Statement of Transactions ," **as required in I TFM 2-3000.**
- 6 Dan y Cash Position.** The Department of the Treasury **is respon-**sible for the management of the Government's daily cash position, and must renotified of large transactions affecting the Govern-ment's cash position in advance of the time of actual disburse-ment. Field **CFO's** and others certifying payments **of \$50 million or more in** a single transaction or in multiple transactions of a common nature that will be disbursed via **FEDWIRE** must report to the Department of the Treasury at least **2 days before** the date of payment. The report will contain the **name of** the Department, the intended **date of** issuance, the name of the intended recipient, and the amount to be disbursed. The information shall **be transmitted** by wire (commercial facilities, TWX 7108229201, 02, 03, **or 04**) to:

Funds Control Branch
Accounting Group
Financial Management Service
Department of the Treasury
Treasury Annex No. 1
ATTN: GAO Bldg., Room 1010
Washington, DC 20226

Field **CFO's** shall also notify the Department of Treasury Funds Control Branch if **FEDWIRE** disbursements **of \$50 million or more** will be made on a repetitive basis or if such payments are known in advance.

- 7 Forms.** The forms prescribed for use in scheduling payments via **FEDWIRE are in I TFM 4-2500, appendix 4.**
- 8 Preparation and Distribution of SF-1166 OCR.**
- a** An **SF-1166 OCR**, "Voucher and Schedule of Payments, " **is prepared** in aboriginal and two copies to support and authorize payments made by **FEDWIRE**. The original **SF-1166 OCR is** forwarded to the cognizant Department of the Treasury RFC for payment **process-**ing, and **one copy is** retained. Appropriate documentation shall be retained by the preparing field elemental a site audit document in support of the **SF-224**, "Statement of Transactions."
- b** Information on individual **FEDWIRE** payments listed on **SF-1166 OCR's must** be sufficient to permit identification of the

transaction by the receiving financial institution or final recipient. To the extent possible, multiple **FEDWIRE** payments shall be listed on each **SF-1166 OCR** submitted for processing. However, under no circumstances shall **FEDWIRE** payments be scheduled on the same **SF-1166 OCR** as **non-FEDWIRE** payments. For information on completing the **SF-1166 OCR**, see **ITFM 4-2500**.

9 Payments Returned Via FEDWIRE

a Field **CFO's** will be notified of **FEDWIRE** payments that cannot be made by the Department of the Treasury or cannot be identified by the receiving financial institution or recipient. Field **CFO's** will receive a modified **SF-1098**, "Schedule of Canceled Checks," from the Department of the Treasury (**ITFM 4-2500**, appendix), for the return of credit to its eight-digit **ALC**. Information is included in the "payee" column of the **SF-1098** to aid Field **CFO's** in identifying the payment returned. This information is as follows:

i Date of payment: the date that the original **FEDWIRE** payment was transmitted;

ii **ALC**: field element's **ALC**;

iii Schedule number: the number of the original **SF-1166 OCR**, "Voucher and Schedule of Payments," requesting **FEDWIRE** payment;

iv Deposit ticket number: the document control number, used by the **RFC** for internal purposes; and

y Amount: the dollar amount of the **FEDWIRE** payment message returned.

b Field **CFO's** receiving an **SF-1098** shall treat it as a minus disbursement document. **FEDWIRE** payments, less returned items, shall be reported as a net figure on the monthly **SF-224**, "Statement of Transactions," to the Department of the Treasury.

c A new **SF-1166 OCR** must be submitted for a returned **FEDWIRE** payment that is sent a second time.

(b) **Automated Clearing House Vendor and Miscellaneous Payments**. The Department of the Treasury's **SACH** payment system is also called Direct Deposit **EFT (DD/EFT)** or Vendor Express. **ACH** data are transmitted through the **FRB** network to the participating financial institution in the form of magnetic tapes or disks, computer printouts, or electronic data transmissions. It normally takes **2 or 3** workdays for a

financial institution to receive funds transferred by the ACH system.

- 1 The following **DD/EFT** procedures have been condensed from Federal Agency Procedures for Vendor and Miscellaneous Payments (**DD/EFT**), prepared by the **Department** of the Treasury Financial Management Service, Product Implementation Branch, ACH Conversion Section (10-86). That publication should be consulted for detailed procedures concerning the establishment and operation of **DD/EFT**. Direct any inquiries concerning the use of **DD/EFT** to the **CFO**.
- 2 To maximize **DD/EFT** use, the **Department of** the Treasury Financial Management Service has expanded the system to include vendor and miscellaneous payments.
- 3 Vendor payments are prepared on magnetic tape in the prescribed **DD/EFT** miscellaneous payments format.
- 4 Administrative recovery by the Government of overpayments made under **DD/EFT** rests with the Department of the Treasury.
- 5 To allow the Department of the Treasury **RFC** and the **FRB** sufficient processing time, payment data must be delivered **to the RFC 3 work-** days before the established payment date. The **RFC will** document processing procedures and timeframes **in an** interface agreement between the **RFC and** the local **FRB** Reserve bank. Field **CFO's** shall monitor invoice due dates and try to avoid frequent submission of low-volume tapes.

c. Reporting and Reconciling Disbursements with the Department of the Treasury.

- (1) **Reporting.** **SF-224, "Statement of Transactions,"** is prepared monthly by each Field **CFO** who has been assigned an **ALC** to report net disbursements to the Department of the Treasury. The **SF-224 should be** prepared by each Field **CFO and telecommuni** cated to the Department of the Treasury by the close of **the 5th** working day after the close of the calendar month. Power marketing administrations (**PMA's**) do not report entries or records in a Financial Information System (**FIS**) format, but they do submit hard-copy documents (including the **SF-224**), which are recorded by the Departmental Accounting and Analysis Division **on a** summarized basis into **FIS**. The Bonneville Power Administration (**BPA**) reports **directly to** the Department of the Treasury.
 - (a) **Vouchers-Paid Basis.** Disbursements normally shall be reported on the **SF-224** on the basis of schedules paid by **Department of the Treasury RFC's**. Field **CFO's** are authorized to include schedules with fixed payment dates—for example, **payroll-in** their monthly reports even though the paid schedule has not been received from the **Department of the Treasury RFC** before preparation of the **SF-224**. If a paid

SF-1166 OCR, "Voucher and Schedule of Payments," is received too late for inclusion in the report for the month in which it was paid or accomplished, except as noted above for fixed payment dates, the transaction shall be reported in the SF-224 for the subsequent month. The month in which the paid or accomplished document was received shall be identified in section II of the SF-224.

(b) Vouchers-Submitted Basis. Field CFO's may record payments that have not been paid by the Department of the Treasury. To relieve complications of reversing entries at month end caused by Department of the Treasury late notification of payment, Field CFO's may report SF-224 payments on the basis of schedules submitted for disbursement. The SF-224 should be prepared directly from information in the accounting system. The SF-224 must contain the same disbursement information as is submitted to FIS, except for BPA, which does not report through FIS.

(2) Reconciling. The Department of the Treasury reports disbursement transactions by ALC and the month disbursement was made. Differences are sent by the RFC to each ALC on TFS Form 6652. "Statement of Differences Disbursing Office Transactions," through GOALS access or on microfiche, for resolution. Each Field CFO shall work with the appropriate Department of the Treasury RFC to resolve differences between DOE and Department of the Treasury reports. Discrepancies in ALC reporting shall be corrected by the reporting ALC on the SF-224 for the current month. For a comprehensive treatment of SF-224 reporting requirements, see DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING, Chapter III, "External Reporting." and I TFM 2-3300.

d. Intragovernmental Billing and Collection Systems.

(1) Online Payment and Collection System.

(a) General. With GOALS. Field CFO's can transmit and receive accounting data through a commercial time-sharing service via a telecommunications network. The Department of the Treasury RFC-DOE link of GOALS provides timely access by DOE to paid disbursement data. The disbursement data are in a central data base and available for online inquiries for 60 days. Reconciliations can be accomplished through direct access to detailed data by each ALC. All field CFO's, including those choosing not to access the RFC-DOE link, will receive microfiches as permanent records of detailed disbursement data. One component of GOALS is the Online Payment and Collection (OPAC) System. The OPAC System establishes a standardized interagency billing and adjustment procedure via a telecommunications network. OPAC is a menu-driven system that provides for both the billing and the adjustment aspects of the system on one menu. As with all GOALS components, DOE bears the cost of online access. Field CFO's using OPAC will no longer generate billings by SF-1081, "Voucher and Schedule of Withdrawals and Credit," described in paragraph 3d(4). OPAC cannot be used to make payments to agencies for which the Department

of the Treasury does **not disburse** funds (for example, the Department of Defense).

- (b) **Billings Between Agencies**. OPAC allows one Federal agency to charge another by entering the necessary billing data (for example, the amount, the customer **ALC**, and the description) into its **onsite terminals**. The customer agency can then print bills charged **to its ALC** on the next day. The system **is** updated overnight. Up-front edits **eliminate** the need for time-consuming adjustments to **billing** information by rejecting incorrect submissions.
 - (c) **Adjustments**. Upon consultation with the billing agency, **the customer** agency can access the **OPAC** System and enter an adjustment into the system. Computer-generated edits **will** be performed on several items, for example, the document reference number and the original billing **ALC**, to ensure that the adjustment is valid. Once the adjustments have been entered, the billing agency can access the system the next day to print the adjustment at its site.
 - (d) **Reporting**. New bills and adjustments must be entered by their respective cutoff dates: **the 24th** of the month for **new bills** and the **28th** of the month for adjustments. Unlike the **SF-1081** system, the **OPAC** System requires billing agencies and customer agencies **to be** responsible for reporting only their respective sides of the **inter-agency transfers on SF-224 "Statement of Transactions."** **OPAC** billing and adjustment data are retrievable online for the current month and the previous month. **All** reports are available **online via GOALS**. TFS Form 6652, **"Undisbursed/Receipt Account, Statement of Differences"**; **OPAC** and **RFC/Agency Link** are on microfiche.
 - (e) **Charges for Use of GOALS**. Each **ALC using GOALS** should run a copy of its monthly billing statement, **which is** available around **the 18th** workday of the **following** month. This bill is not entered on the **SF-224**, because the Department of the Treasury has already reduced **DOE's** appropriation for the charge.
- (2) **Simplified Intragovernmental Billing and Collection System (SIBAC)** was established by the Department of the Treasury to accomplish intragovernmental purchases, sales, and payments in a **more** efficient manner. The Online Payment and Collection System was subsequently developed and is replacing **SIBAC** except for billings by the General Services Administration.
- (3) **Standard Form 1080. "Voucher for Transfers Between Appropriations and/or Funds."**
- (a) **General**. **SF-1080, "Voucher for Transfers Between Appropriations and/or Funds,"** is used when DOE does business with **an agency** that does

not submit an SF-224, "Statement of Transactions." to the Department of the Treasury and requires payment or collection by check.

- (b) **Procedures.** The SF-1080 is only used as a billing document by DOE to receive funds from agencies not using Department of the Treasury RFC's. When billing on an SF-1080, complete the form through the "Certificate of the Office Charged" section. Send the original and two copies to the agency billed. Keep a copy of the SF-1080 pending collection by check. When billed on an SF-1080, process the payment through the Department of the Treasury according to established disbursement procedures. For payment identification, place billing agency information on the check. As the billing agency, Field CFO's deposit checks received according to established collection procedures. Detailed instructions for use of the SF-1080 are found in ITFM 2-2000.
- (4) **Standard Form 1081. "Voucher and Schedule of Withdrawals and Credit."**
- (a) **General.** SF-1081, "Voucher and Schedule of Withdrawal and Credit," is a combined billing and payment document for interagency payment transactions when both agencies report on SF-224, "Statement of Transactions." When an SF-1081 is used for a disbursement, the paying agency must reflect both the disbursement and the other agency's collection in section I of the SF-224. SF-1166 OCR, "Voucher and Schedule of Payments," shall not be used with an SF-1081.
- (b) **Procedures.** The billing office must ensure the completeness and accuracy of billing documents to avoid disputes and errors.
- (5) **Reconciliation to the Department of the Treasury.** After submission by Department of Energy of the monthly SF-224, "Statement of Transactions," the Department of the Treasury will furnish to DOE either TFS Form 6653, "Undisbursed Appropriation Account," or TFS Form 6655, "Unavailable Receipt Account Ledger." The Field CFO shall use these reports to verify that customer reporting to the particular appropriation, fund, or receipt symbol has been completed. If the reports show a discrepancy between amounts reported by a customer ALC and the amount confirmed, the billing office shall immediately contact the customer office to determine the reason for the discrepancy. If it is determined by the agencies that the Department of the Treasury has made the error, the billing office shall contact the Department of the Treasury. Disputed and erroneous transactions are discussed in ITFM 2-2000.
- e. **Limited Payability and Claimability.** Public Law 100-86, The Competitive Equality Banking Act of 1987, was signed into law on 8-10-87. Title X of this law limits the time period for cashing Department of the Treasury checks, significantly reduces the time period for initiating reclamation actions and check claims, and establishes requirements for cancellations and distribution of proceeds of checks. Although the time in which to cash the check is affected, a person or entity does not lose entitlement to the payment. Title X provisions

do not apply to DD/EFT payments or processing. The effective date for implementing provisions of the law was **October 1, 1989**. Refer to TFM bulletin 90-03 and 31 CFR parts 235, 240, 245, and 248 for more information on this topic.

- (1) **Payability** is the length of time **a check can be negotiated to** a financial institution. Department of the Treasury checks dated on or before 9-30-89 must be cashed by 9-30-90. Treasury checks dated on or after 10-1-89 must be cashed within 1 year from the date of issuance.
- (2) **Claimability** is the length of time during which a payee can present a claim of **nonreceipt, loss, or theft of a check to an agency**.
 - (a) **Before 10-1-89**. A payee must present **a claim on a Department of the Treasury check issued before 10-1-89 to the cognizant field office before 10-1-90. The Department of the Treasury must receive an SF-1184, "Unavailable check Cancellation," or magnetic tape of unavailable check cancellations prepared by DOE before 10-31-90.**
 - (b) **After 9-30-89**. A payee must present **a claim on a Department of the Treasury check issued on or after 10-1-89 to the cognizant field office within 1 year from the date of issuance. The Department of the Treasury must receive an SF-1184 or magnetic tape of unavailable check cancellations prepared by DOE within 13 months from the date of issuance.**
- (3) **Reclamation** is a demand by the Department of the Treasury for refund of the amount of a check payment from the presenting bank or other endorser. Title X reduces the period during which the **Department of the Treasury** may reclaim the **amount of a check that has been paid over a forged or unauthorized endorsement**. The Department of the Treasury considers the date of payment to be the date on which the Federal Reserve bank gives provisional credit for the item to the clearing bank.
 - (a) **Before 10-1-89**. As of 10-1-89, the **Department of the Treasury** cannot reclaim checks paid by the Department of the Treasury before 4-1-88. For checks paid on or after 4-1-88, the Department of the Treasury has 18 months from the paid date to reclaim for payee **claims** and 12 months from the paid date to reclaim for agency claims.
 - (b) **After 9-30-89**. As of 10-1-89, the Department of the Treasury has 12 months from the paid date to reclaim for agency **nonentitlement** claims and 18 months from **the paid date to** reclaim for payee **nonreceipt** claims.
- (4) **Limited Payability Cancellation**
 - (a) **Before 10-1-89**. Not later than 4-1-91, the **Department of the Treasury** shall identify and cancel all checks issued before 10-1-89 that are still outstanding. No moneys shall be available to agencies from this cancellation. The **Department of the Treasury** will apply the

proceeds from these canceled checks to eliminate the balances in accounts that represent uncollectible accounts receivable and other costs associated with the payment of checks and check claims by the Department of the Treasury on behalf of all payment-certifying agencies. Any remaining proceeds will be deposited to the miscellaneous receipt accounts at the Department of the Treasury.

(b) ~~After 9-30-89.~~ The Department of the Treasury will cancel all checks issued on ~~or after 10-1-89~~ that remain outstanding 12 months from the issue date. The Department of the Treasury will identify and cancel these outstanding checks during the 14th month after the issue date. The Department of the Treasury will forward the check proceeds to DOE through OPACand will provide as detail any identifying information provided by DOE in the original issue submission. The detail is also available monthly on microfiche. Field CFO's shall report the credits in section II of SF-224, "Statement of Transactions," and shall classify the credits to the appropriation account from which the canceled check was issued or to its successor account.

(5) Reversals of Limited Payability Cancellations. In some cases, the payee will negotiate the check to a financial institution within 1 year from the date of issuance, but processing in the Federal Reserve System or in the Department of the Treasury's Check Reconciliation Branch will prevent the Department of the Treasury from applying the payment to the Check Payment and Reconciliation System before the limited payability cancellation has occurred. In these cases, the Department of the Treasury will reverse the limited payability cancellation credit previously provided to DOE and will provide a copy of the paid item. This transaction will be separate from the monthly cancellation credit.

(6) Accounting for Checks Canceled Under Title X Provisions.

(a) The Field CFO shall return the proceeds from canceled checks to the accounts from which the checks were issued originally or the successor accounts. For annual, multiyear, and no-year appropriation accounts, the Field CFO shall treat the canceled checks as accounts payable. If the Field CFO determines that the liability is not valid, the funds then are available to the account or returned to surplus under normal yearend procedures.

(b) In cases where the liability is valid, but no claim has been presented within 3 years from the date of the check. DOE shall return the funds to the Department of the Treasury through SF-2108, "Yearend Closing Statement," for annual, multiyear, and no-year appropriation accounts. If the payee presents a claim after the funds have been returned, DOE shall restore the funds through the normal restoration process.

(c) For deposit fund accounts and uninvested trust funds, DOE shall follow the procedures contained in I TFM 6-3000, "Payments of

Unclaimed Monies and Refund of Monies Erroneously Received **and Covered.**" DOE shall retain funds from canceled checks from invested accounts.

(d) The Field CFO shall keep any records necessary to recertify payments on obligations represented by the canceled checks. Funds from the canceled checks shall not be used to create **new obligations except in** cases where the liability **is** determined not to be valid.

(7) **Copy and Record Storage Costs.** The Department of the Treasury will retain records of checks dated on or after 11-07-86 for **6½ years**, but will charge for copy or status requests made 18 months or more after the issue date. As of 4-1-91, the Department of the Treasury will **levy** an annual charge for record storage on agencies. The Department of the Treasury expects the charge to DOE to be minimal and will allocate the charge **by ALC.**

(8) **Recertification of Payment.** An agency may certify a new payment upon receipt **of a** claim concerning the nonreceipt, destruction, loss, mutilation, or defacement **of a** check or upon the cancellation of **a check after 14** months.

4. **CONTRACT FINANCING PAYMENTS.**

- a. **Definition.** "Contract financing payment" means a Departmental **disbursement of** moneys to a contractor under a contract **clause or** other authorization **prior to** acceptance of supplies or services by the Department. Contract financing payments include advance payments: progress payments based on cost under the clause at title 48, section 52.232-16, of the Code of Federal Regulations; progress payments based on a percentage or stage of completion (**48 CFR 32.102(e)(1)**) other than those made under the clause at title 48, section 52.232-5 ("Payments Under Fixed-Price Construction Contracts"), or the clause at title 48, section 52.232-10 ("Payments Under **Fixed-Price** Architect-Engineer Contracts"), of the Code of Federal Regulations; and interim payments on cost-type contracts. Contract financing payments do not include invoice payments.
- b. **Due Date.** The due date for making contract financing payments by the designated payment office will be the **30th** day after the designated billing **office has** received a proper request unless the terms of the contract specify another time period. In the event that an audit or other review **of a** specific financing **request is** required to ensure compliance with the terms and conditions of the contract, the designated payment office is not compelled to make payment by the due date **specified or** to pay interest as specified in the Prompt Payment Act.
- c. **Nonrecurring Contract Financing Requests.** For advance payments, loans, or other arrangements that do not involve recurrent submission of contract financing requests, payment shall be made in accordance with **the applicable** contract financing terms **or as** directed by the contracting officer.

- d. Proper Contract Financing Request. A proper contract financing request must comply with the terms and conditions **specified by** contract financing clauses or other authorizing terms. The contractor shall correct any **defects in** requests submitted in the manner specified in the contract as directed by the contracting officer.
- e. Annotation. The designated billing office and designated payment office shall annotate each contract financing request with the dates that a proper request was received in their respective offices.
- f. Interest Penalty. Contract financing payments shall not be **assessed an** interest penalty for payment delays.

5. PAYMENTS UNDER FINANCIAL ASSISTANCE INSTRUMENTS.

- a. General. The Department shall select the payment method under a grantor subgrant with the objective of **minimizing** the time elapsing between the transfer of funds from the Department of the Treasury and their **disbursement by** the grantee or **subgrantee** for grant or **subgrant** purposes. If the grantee or subgrantee meets the requirements for advance payments, DOE shall make **advances by** a **letter of credit or by** a Department of the Treasury check. **See paragraph 7** for information on letters of credit; Chapter II for information on advances: DOE 2200.9B, MISCELLANEOUS ACCOUNTING, Chapter IV, "Grants and Cooperative Agreements," for **information on** grants; and title 10, sections 600 and 605, of the Code of Federal Regulations for information on assistance regulations,
- b. Not Subject to the Prompt Payment Act. Financial assistance instruments are not subject to the Prompt Payment Act. Recipients of Federal assistance may pay interest penalties if so specified in their contracts with contractors. However, obligations to pay such interest penalties will not be obligations of DOE. DOE funds may not be used for this purpose.

6. REVIEW AND CERTIFICATION OF INVOICES, VOUCHERS, AND CLAIMS.

- a. Introduction. Field **CFO's and other officials concerned** with the examination and payment of invoices shall establish adequate procedures to safeguard against illegal or erroneous certifications and payments and **shall** implement any such measures as maybe necessary to effect recovery of amounts **illegally or** erroneously paid. Refer to **TFM 4-2040** for **information on** procedures for appointing certifying officers **and to title 31, section 3528,** of the United States Code, as amended, for the legal **responsibilities of** a certifying officer.
- b. Terms.
 - (1) invoices are documents requesting payment for work performed, property and services delivered, or costs incurred. The terms "invoice," "voucher," and "bill" **are used** interchangeably in this chapter.

- (2) **Invoice Payments.** "Invoice payment" means a Departmental disbursement of moneys to a contractor under a contractor other authorization for property or services accepted by the Department. **This includes** payments of partial deliveries that have been accepted by the Government and final cost or fee payment where amounts owed have been settled between the Department and the contractor. Invoice payments also include all payments made under title 48, section 52.232-5 ("Payments Under Fixed-Price Construction Contracts"), **and title** 48, section 52.232-10 ("Payments Under Fixed-Price Architect-Engineer Contracts"). of the Code of Federal Regulations. Invoice payments do not include contract **financing** payments.
- (3) **Day.** For purpose of paragraph 6, the term "**day**" refers to a calendar day unless **specified** otherwise.
- c. **Requirements.** The Prompt Payment Act of 1982 (Public Law 97-177) and the Prompt Payment Act Amendment of 1988 (**Public** Law 100-496), as **implemented by OMB Circular No. A-125.** "Prompt Payment," require Federal agencies, **to** pay bills on time, pay interest penalties when payments are made late, and to take discounts only when payments **are made within** the discount period. Payments made by prime contractors to their suppliers are not subject to the Prompt Payment Act. However, prime contractors under construction contracts must extend prompt payment provisions to their subcontractors. The following policy statements **apply to** the examination and payment of invoices by DOE.
- (i) Pay all invoices as **close as** possible to, but not later than, the contract specified due date or, if appropriate, the discount date. The date of a Treasury check is considered the payment date. For payments by electronic funds transfer, the date the contractor's financial institution receives payment is considered the payment date. Refer to paragraph **6f(1)** for **determination of** the due date when the due date is not **specified in** the contract or purchase order. If the **due date** fall on a nonworking day, then **the due date is** the next working day.
 - (2) Payment must be **based on receipt** of proper invoices and DOE acceptance of complete delivered property or services or approvals evidencing **satisfactory** performance of required work, for example, **contracting officer** provisional payment approvals subject to later audit.
 - (3) Field **CFO's** shall take discounts only when payments are made within the discount period and only when economically justified, consistent with Department of the Treasury regulations (1 **TFM** 6-8000).
 - (4) Under acquisition contracts, DOE must pay **penalties in** accordance with paragraph **6g** when discounts are taken after the discount period has expired or payments are late.
 - (5) Payment shall be made **on the basis of an** original invoice. If the original **invoice is** lost or destroyed, a duplicate shall be obtained from the contractor.

- (6) Vouchers must be reexamined and approved for payment before they **are certified** for payment. Approved statistical sampling procedures may **be substituted** for the examination of each individual voucher (see paragraph **6e(2)**).
- (7) Disbursements from the imprest fund are not subject to examination and approval prior to certification and payment unless the Field **CFO** so desires.
- (8) Fast payment procedures, whereby payment is made to a contractor based upon assurance that property has been shipped, rather than awaiting notification that property has been received, shall be approved in advance by the **CFO or Field CFO** on an individual basis. See paragraph **6f(4)** for details.
- (9) Vouchers; **SF-1166 OCR, "Voucher and Schedule of Payments"**; and supporting documents shall be marked or **canceled so** as to prevent their **being processed** for payment a second time. Documents **subject** to subsequent use in mechanical or computer systems, such as card transaction requests, shall be **marked in** such a way as to avoid mutilation.
- (10) Designated officials shall promptly inspect property or services to ensure that prompt payment schedules are met.
- (11) Progress payments shall be made on the **contract-specified** due dates; if none are specified, make payments as close as possible to, but not later than, **the 30th** day (**14th** day for fixed-price construction contracts) after receipt of the contractor's request for payment by the contract-designated billing office.
- (12) Priority shall be given to payments to minority and small businesses only to the extent that it ensures timely processing **of invoice** or before payment due dates.
- (13) Payments for meat, meat food products, poultry, eggs, and egg products shall be made as **close as** possible to, but not later than, **the 7th** day after the date of delivery, unless another date is specified in the contract.
- (14) Payments for perishable agricultural commodities shall be made as **close as** possible to, but not later than, the **10th** day after the date of delivery unless another date is specified in the contract.
- (15) Payments for dairy products (including, at **a minimum**, liquid milk, cheese, certain processed cheese products, butter, yogurt, and ice cream), edible **fats or oils**, and food products prepared from edible **fats or oils (including** mayonnaise, salad dressings, and other similar products), shall be made as close as possible to, but not later than, the **10th day** after the date on which a proper invoice is received.

- (16) Payment for transportation of persons or property **for or** on behalf of the United States by **a carrier** or forwarder **shall** be made within **30 days** after receipt of bills by the designated billing office (the office designated in the contract or purchase order to receive invoices). Transportation bills may be paid before GSA performs the rate audit.
- (17) Certifying officers have the right **to apply** for and obtain decisions from the Comptroller General before certifying a payment when **a question** of law is involved on **a payment** or a voucher presented for certification. The contracting officer must be promptly notified **of such actions**.

d. **Required Payment Documentation.** In order to ensure that payments are properly authorized and correct the following documents are usually required: a contract, an invoice, and a receiving report or equivalent.

- (1) **Contract.** Each payment must be based on a valid contract, purchase order, or similar contractual document. To make payments to a public utility, it is not necessary to have a contract, regardless of the amount or the number of payments to be made, when the utilities rates have been fixed or adjusted by Federal, State, or other regulatory bodies, unless a contract is in the best interest **of DOE**. **A public utility service is not required to** furnish rate schedules if it supplies unit rates **or if the invoices or** bills from the utility show the total amount of the services furnished, the unit rates charged for the services, and the total amount charged. This does not preclude the use of a DOE contract when the utility company requires an agreement or contract for the furnishing of services.

(2) **Invoice.**

(a) **Required Information.** Invoices sent to **DOE** should be prepared in accordance with the terms and conditions of the contract or purchase order. **A proper** invoice must include the following:

- 1 The name and mailing address of the contractor and the invoice date;
- 2 The contract **number or** other authorization for **delivery of** property or services;
- 3 The description, price, and quantity of property or services actually delivered or rendered, as stated in the contract;
- 4 Shipping and payment terms, inapplicable;
- 5 Other substantiating documentation, as required **by the** contract; and
- 6 The name, (where practicable), title, telephone number, and complete mailing address of the responsible **official** to whom the payment is to be sent.

- (b) Lost or Destroyed Original Invoices. payment shall be made on the basis of an original invoice. Should the original invoice be lost or destroyed, a duplicate should be reobtained from the contractor. A full explanation of the circumstances of the loss or destruction of the original invoice and a statement that steps have been taken to prevent duplication of the payment must be added or attached to the duplicate invoice before it can be processed for payment. Adequate systems of internal controls shall be provided to ensure that no duplicate payments can occur under this procedure.
- (3) Receiving Report. Receiving reports or other notifications of acceptance received by the payment office must include the following:
- (a) The contract or other authorization number;
 - (b) Description of property or services received;
 - (c) Quantities received and accepted, if applicable;
 - (d) The date(s) that property or services were delivered;
 - (e) The date(s) that property or services were accepted; and
 - (f) The signature, printed name, title, telephone number and mailing address of the receiving official.

e. Processing Invoices for Payment.

- (1) Actions Required Prior to Payment. The prepayment actions specified below must take place with as little delay as possible. Proper procedures will ensure that payment officials have a valid contract that contains the required accounting data; all applicable amendments, with appropriate accounting data; and evidence that property or services have been received, inspected, and accepted or that the contracting officer or designee has approved the invoiced amount for payment.
- (a) The invoice shall be stamped with the date it is received in the designated billing office, and recorded as received. DOE may designate another agency or cognizant audit agency to receive contract invoices and may delegate to that agency the authority to approve for payment some invoices for cost reimbursement contracts. Such agencies must date the invoices or public vouchers to show when they were received. The date represents constructive receipt by DOE and is the date that should be used in timing payments.
 - (b) DOE officials authorized to approve receiving reports must forward the approved documents to the appropriate DOE Field CFO for payment processing sufficiently in advance of the payment deadline to allow the documentation to be reviewed and to notify contractors of any

problems detected before penalties **must be** added to the amounts payable.

- (c) Invoices offering discounts should be identified early in the payment process **so as to** schedule the payment to meet the discount date if cost-effective.
- (d) All invoices shall be examined for accuracy and completeness and **consistency** with the terms, conditions, and deliverables **specified in** the ordering document.
- (e) If, on examination, the invoice is **found to** be incomplete or **improperly** prepared, the contractor **must be** notified within 7 days of its receipt (**3 days** for meat, meat food products, poultry, eggs, and egg products and **5 days** for perishable agricultural commodities or dairy products, etc.). The notice may be given orally and **confirmed in** writing. Local procedures shall stipulate **who is** responsible for providing this notification.

(2) Prepayment Examination by Statistical Sampling. Accomplishment of the above steps constitutes unofficial basis for making payment. Statistical sampling procedures may be used in the prepayment examination of disbursement vouchers for amounts **not in** excess of \$2,500. Specific instructions on how to use statistical sampling procedures to examine vouchers are found in **7 GAO, Appendix III, "Use of Statistical Sampling Procedures in Examination of Vouchers for Payment."** Title 31 U.S.C., **section 3521(c)** allows that any disbursing or certifying official relying in good **faith on** a statistical sampling **procedure to** disburse funds will not be liable for losses to the Government resulting from payment or certification **of a** voucher not audited specifically because of the use of a **sampling** procedure, provided that collection actions prescribed by the Comptroller General have been diligently carried out. Field **CFO's** have the primary responsibility for establishing a sampling plan consistent with the GAO instructions. The **CFO** has this responsibility for Headquarters.

(3) Request for Progress Payments Under Construction Contracts. The following information must be included in each request for a progress payment under a construction contract:

(a) Substantiation of amounts requested including:

- 1 An **itemization of** the amounts requested related to the various elements of work required by the contract covered by the payment request;
- 2 A **listing** of the amount included for work performed **by each subcontractor** under the contract:

- 3 A listing of the total amount of each subcontract under the contract:
 - 4 A listing of the amounts previously paid to each such subcontractor under the contract:
 - 5 Additional supporting data in a form and detail required by the contracting officer.
- (b) Certification by the prime contractor, **to the best** of the contractor's knowledge and belief, that:
- 1 The amounts requested are only for performance in accordance with the specifications, terms, and conditions of the contract;
 - 2 Payments to subcontractors and suppliers have been made from previous payments received under the contract, and timely payments will be made from the proceeds of the payment covered by the certification, in accordance with their subcontract agreements and the requirements of Chapter 39, title 31 U.S.C.; and
 - 3 The application does not include any amounts which the prime contractor intends **to withhold or retain from a subcontractor or supplier** in accordance with the terms and conditions of their subcontract.

f. Timing of Payment.

(1) Payment Due Date.

- (a) Payments should be rescheduled so that they are made as close **as possible to**, but not later than, the date specified in the contract. Also, payment may be made no more than 7 days prior to the payment due date, unless the **CFO or** Head of Field Element or designee has determined, on a **case-by-case** basis for specific payments, that earlier payment is necessary. **If no date is** specified in the contract, payment shall be scheduled to be made **on the 30th** day after receipt of invoice. See paragraph **f(2)** below for further clarification.
- (b) When a **discount** is taken, the payment shall **be made as close as possible to**, but not later than, the discount date.
- (c) Payments for meat or meat food products, including edible **fresh or frozen** poultry meat, any perishable poultry meat food product, fresh eggs, and any perishable egg product shall be made as close **as possible to**, but not later than, **the 7th** day after the date of delivery, unless otherwise specified in the contract.

- (d) Payments for perishable **agricultural** commodities shall be **made as close as possible to, but not later than, the 10th day** after the date of delivery. unless another date is specified **in** the contract.
 - (e) Payments for dairy products (including, at **a minimum**, liquid milk, cheese, certain processed cheese products, butter, yogurt, and ice cream), edible **fats or oils**, and food products prepared from **edible fats or oils**, (including, at **a minimum**, mayonnaise, salad dressings, and other **similar** products), shall be **made as close as possible to, but not later than the 10th day** after the date on which a proper invoice for the amount due has been received.
 - (f) For construction contracts, progress payments must be paid as close as possible to, but not later than, **the 14th day** after receipt of payment request from the contractor, unless the contract specifies otherwise.
 - (g) When an invoice is received which contains items with different payment periods, finance offices:
 - 1 Should pay in accordance with the contractual payment provisions (which may not exceed the statutorily mandated periods specified in paragraph **6f(1)(c),(d)**, and (e));
 - 2 Must pay interest if payment is made so that some items are paid for after their due dates;
 - 3 May **split** payments, making payment by the due date applicable to each category;
 - 4 May not require contractors to submit multiple invoices for payment of individual orders by the agency; and
 - 5 May encourage but may not require contractors to submit separate invoices for categories of products with different payment periods.
- (2) **Receipt of Invoice.** For the purpose of determining payment due date and the date on which interest will begin to accrue, an invoice shall be deemed to be received:

(a) **On the later of:**

- 1 The date a proper invoice is actually received by the designated **billing** office, if the **billing** office annotates the invoice with date of receipt at the time of receipt; or
- 2 **The 7th day** after the date on which the property is actually delivered or performance of the services is actually completed; unless:

- a The property or services are actually accepted before the 7th day (in which case the acceptance date shall substitute for the 7th day after the delivery date), or
- b A longer acceptance period is specified in the solicitation and included in the contract to afford the Department a practicable opportunity to inspect, test, and accept the property or evaluate the services (in which case the date of actual acceptance or the date on which such longer acceptance period ends shall substitute for the 7th day after the delivery date); or

(b) On the date placed on the invoice by the contractor, in any case in which DOE fails to annotate the invoice with the date of receipt at the time of receipt (such invoice must be a proper invoice).

(3) **Receipt and Acceptance of Property and Services.** When a receiving report is used, it must be received by the paying office from the approving official within 5 working days of acceptance of the property or services unless other arrangements are made. If a contract does not specify a period to accept property or services, the acceptance period shall be 7 working days after delivery of property or services, unless acceptance occurs sooner. Receiving reports and invoices will be stamped or otherwise annotated with the date upon receipt in the payment office. The approving official must ensure that the invoice contains the data necessary for prompt payment processing, for example, the contractor other identifying number and a breakdown of billed costs by budget and reporting code. If property or services have not been received or if the terms of the contract have not been met, the designated approving official shall notify the procurement and payment offices immediately of the problems and the corrective actions that have been initiated.

(4) **Payment in Advance of Receipt.** In some situations, payment may be made without evidence that property has been received. A contractor's certification that property has been shipped may be used to authorize payment. This procedure may be used only when all the following conditions exist:

- (a) Individual orders do not exceed \$25,000, unless permitted by the CFO on a case-by-case basis.
- (b) Property is to be redelivered where there are both a geographical separation and a lack of adequate facilities for communications between DOE receiving and finance offices, making it impracticable to make timely payments based on evidence of DOE acceptance.
- (c) Title to the property vests in the Government:

¹ Upon delivery to a post office or common carrier for mailing or shipment; or

2 Upon receipt by the Government, if the shipment is by means other than the U.S. Postal Service or a common carrier.

(d) The contractor agrees to replace, repair, or correct property that was not received at destination, that was damaged in transit, or that does not conform to purchase requirements.

9. Discounts.

(1) When To Take Discounts.

(a) Take discounts only when it is cost-effective, as specified in paragraph 6g(3), and only after property or services have been accepted.

(b) When discounts are offered for early payment of invoices, the invoice shall be "aged" for discount purposes from the date placed on the proper invoice by the contractor to the discount date. To compute the discount earned, payment shall be considered to have been made on the date of the payment. All payments containing discounts shall be scheduled for issuance as close as possible to, but not later than, the last day of the discount period.

(c) A discount must not be taken when payment is made after the discount period has expired. Take discounts under bids or written agreements covering purchases of property only when contractors offer such discounts. Discounts stated on pro forma invoices shall be taken on purchases made on the open-market without special authorization from the contractors. For a trade-in-allowance, compute the discount on the total contract price, not on the trade-in-allowance. If payment is made in the gross amount, explain on the voucher why the discount offered was not taken.

(d) Payment systems shall incorporate procedures that automatically take advantage of cost-effective cash discounts and, to the extent possible, eliminate the need for special handling.

(2) Calculation of Discount Period. Calculate the discount period from the date placed on the invoice by the contractor to the discount date.

(3) Determination of Cost-Effectiveness. Take discounts only when the discount rate offered is equal to or greater than the current value of funds rate in the Department of the Treasury. The Department of the Treasury issues a quarterly bulletin in the Federal Register and bulletins to the TFM to help agencies determine the discounts that should be taken. Each field element may develop its own look-up table to help determine cost-effective discounts. Interest costs should be redetermined by each Field CFO and factored into the calculation to determine the cost-effectiveness of taking a discount. (See Attachment I-2.)

(4) **Accounting for Lost Discounts.** Economically advantageous purchase discounts lost shall be charged to the same object class and budget and reporting classification as the original contractor purchase order. Discounts lost for contracts or purchase orders funded by multiple budget and reporting classifications or appropriations should be prorated in proportion **to the** costs of goods and services acquired. Discounts lost related to plant and equipment acquisitions shall immediately be written **off as** non-fund charge to cost of operations.

h. **Penalties.** The following requirements for penalties **are applicable to all** Field CFO's.

(1) **Payment of Interest Penalties.** Interest penalties shall **be paid** as required by the contract's specified payment terms and conditions. **If no** payment terms are specified in the contract, penalties shall be **paid as** required by the Prompt Payment Act Amendments of 1988, regardless of date of contract award or modification. The previously available **15-day** grace period in **which to** make payments without incurring penalties was eliminated by the 1988 amendments.

(a) Payments shall be considered late if not paid by **the due** date and interest penalties shall **be paid.**

(b) Pay interest **penalties of \$1.00 or more** automatically **to the** party to which the contract, purchase order, or other contractual arrangement has been awarded.

(c) Pay interest penalties out of funds made available for the **procurement of** property or services delivered. Penalties shall be charged to the same object class and budget and reporting classification as the original contract or purchase order. Prorate penalties for contracts or purchase orders funded by more than one budget and **reporting classification or** appropriation. Penalties related to plant and equipment acquisitions shall immediately be written off as a non-fund charge to cost of operations. Interest penalties are subject to fund limitation, and fund availability **must be** assured. See Attachment **I-3** for sample **notification of** a program official that a penalty has been charged to the program.

(d) Payments shall accrue interest if they meet the provisions of paragraph **6h(1)** and **if all** the following conditions have been met:

1 A valid contractor purchase order exists for the **acquisition of** property or services:

2 Inaccurate, complete invoice from the contractor or specific contract authority, such as some periodic lease payments, has been received; and

- 3** Acceptance of property or services has occurred and there is no disagreement over quantity, quality, or other contractual provisions.
- (e) If timely payments are prevented by the temporary unavailability of funds, when funds become available, the contractor is entitled to payment with late payment interest penalties.
- (f) If a **discount** is taken after the discount period **has expired** and the Field **CFO** fails to correct the underpayment by the payment due date, the underpayment and interest **penalties** on the underpayment shall be paid.
- (g) Interest penalty calculations shall be based on a **360 day** per year in accordance with the following guidelines:
- 1** Apply the appropriate interest rates established **by the Secretary** of the Treasury under section **12 of** the Contract Disputes Act of 1978 (41 U.S.C. 611). **Whenever a** payment is made late, include interest with the payment at the rate in effect **on the** day after the due date. The rate established by the Contract Disputes **Act is** referred to as the "Renegotiation Board Interest Rate" and is published in the **Federal Register** semiannually on or about **January 1** and **July 1**.
 - 2** Compute interest from the day after the due date through the payment date, and state the amount separately **on the** checker accompanying remittance advice. Make estimates for the **timelag** between the date payment is scheduled and the date of the check. Adjust time estimates as required. When an interest penalty **is not** paid, accrue interest on the unpaid amount **for 1** year or until paid, whichever occurs first. Add interest penalties remaining unpaid **for any 30-day** period to the principal. Interest penalties will accrue monthly on the total of the principal and previously accrued interest. (See Attachment **I-4**.)
 - 3** When a **discount** is taken after the discount period has expired and corrective action is not taken by the payment due date, calculate the interest on the amount of the improper discount taken for the period beginning the day after the end of the discount period through the expected payment date. (See Attachment **I-5**.)
 - 4** When a contractor submits an invoice **that is** deemed improper, notify the contractor within **7 days** (**3 days** for meat, meat food products, poultry, and eggs **and 5** days for perishable agricultural commodities and dairy products) from the date the **invoice is** received in the office designated in the contract to receive invoices. If the contractor is not notified **by the** Field **CFO** within the appropriate time period, reduce the number of days allowed for payment of the corrected **invoice by** the number of days

between **the 7th day (3rd day for meat and meat food products, and 5th day for perishable agricultural commodities and dairy products)** after receipt of the invoice and the day **the notification** was transmitted to the contractor. Calculate interest penalties on the adjusted due date, reflecting the reduced number of days allowed for payment. (See Attachment I-6.)

- (h) Interest penalties are due on payments made after the payment due date for amounts retained during contract performance and released after completion of the contract. This applies to all types of contracts not excluded by paragraph 6h(5) when complete delivery and acceptance have occurred.
- (i) Interest not paid within 30 days shall be compounded **every 30** days.
- (j) Contractors shall be notified in **writing of** the amount of interest penalty, the interest rate used to calculate the penalty, and the period **of time to which** the penalty applies. The contract number and any invoice number should be included to assist the contractor in **reconciling** the payment.
- (2) Payment of Interest Penalties Under Construction Contracts. Interest penalties shall be paid as **required by the contract's** specified payment terms and conditions. If no payment terms are specified in the contract, penalties shall be paid as required by the Prompt Payment Act Amendments of 1988, regardless of date of contract award or modification.

(a) For construction contracts pay interest on:

- 1 A progress payment request (including a monthly percentage of completion progress payment or milestone payments for completed phases, increments, or segments of any project) that is approved **as payable** by the Department pursuant to paragraph 6e(3) and remains unpaid for:
 - a A period of more than **14 days** after receipt of the payment request by the designated billing office or
 - b A longer period, specified in the solicitation, if required to afford the Government **a practicable** opportunity to adequately inspect **the work and to** determine the adequacy of the contractor's performance under the contract.
- 2 Any amounts that DOE has retained pursuant **to a prime** contract clause providing for retaining a percentage of progress payments otherwise due **to a** contractor and that preapproved for **release to** the contractor, if such retained amounts are not paid to the contractor **by a date** specified in the contract, or, **in the absence of** such a specified date, **by the 30th** day after final acceptance.

- 3** Final payments based incompletion and acceptance of all work Including any retained amounts, and payment for partial performances that have been accepted by the Department if such payments are made after the later of:
 - a** The **30th** day from the date on which the designated billing office receives a proper invoice; or
 - b** The **30th** day after DOE acceptance of the completed **work or** services. Acceptance shall be deemed to have occurred on the effective date of contract settlement on a final invoice where the payment **amount is** subject to contract settlement actions. For the **purpose of** computing interest penalties, acceptance shall be deemed to have occurred on **the 7th** day after **work or** services are complete in accordance with **the terms** of the contract.
- (b) Certification by the prime contractor is not to be **construed as** final acceptance of the subcontractor's performance.
- (c) DOE shall return any such payment request which is defective **to the** contractor within **7 days** after receipt, with a statement **identifying** the defects.
- (d) **A contractor is obligated to** pay interest to the Government on unearned amounts in **its** possession from:
 - 1** The **8th** day after receipt of funds from DOE until the date the contractor notifies DOE that the performance deficiency has been corrected or the date the contractor reduces the amount of any subsequent payment **request by** an amount equal to the unearned **amount in** its possession. when the contractor discovers that all or **a portion of a** payment received from DOE constitutes a payment for the **contractor's** performance that fails to conform to the specifications, terms, and conditions or its contract **with the** agency, **under 31 U.S.C. 3905(a)**; or
 - 2** The **8th** day after the receipt of funds from DOE **until** the date the performance deficiency of a subcontractor is corrected or the date the contractor reduces the amount of any subsequent payment **request by** an amount equal to the unearned amount in its possession, when the contractor discovers that all **or a portion of a** payment **received** from the agency would constitute a payment for the subcontractor's performance that **fails to** conform to the subcontract agreement and maybe withheld, under 31 U.S.C. **3905(e)**.

- (e) **When a contractor so obligated** to pay interest on unearned amounts to DOE under 3905(a) or 3905(e), as described in paragraph (d) above, the interest shall :
- 1 Be computed at the rate of average bond equivalent rates of **91-day** Treasury bills auctioned at the most recent auction of such bills prior to the date the contractor received the unearned amount;
 - 2 Be deducted from the next available payment **to the** contractor; and
 - 3 Revert to the Treasury.
- (3) **Payment of Interest Penalties Under Architect Engineer** C o n . Interest penalties shall be paid under Architect Engineer contracts when the provisions of the contract specify that penalties apply. If no penalties for late payment of **a final** invoice are specified, penalties shall be paid as **required by** the current **provisions of** the Prompt Payment Act, as amended. Penalties for late progress payments must be specified in the contract and as such preestablished as **a matter** of policy in applicable procurement regulations.
- (4) **Additional Interest Penalties.** An additional interest penalty equal to **100%** of the original late payment interest **penalty is** required to **be paid** to contractors under **certain** conditions. The additional penalty shall not be greater than \$2,500 for two years from 1-21-90, after which the **additional** penalty shall not be greater than \$5,000. Regardless of the amount of the late payment interest penalty, the additional interest penalty paid shall not be less than \$25. These additional penalty provisions do not apply to the payment of utility bills. A contractor is entitled to an additional interest penalty when the contractor:
- (a) Is owed a late payment interest penalty;
 - (b) Receives a payment after the payment due date which does not include the interest penalty due to the contractor;
 - (c) Is not paid the interest penalty by **DOE within 10** days after the date on which the payment is made;
 - (d) Makes a written request to DOE for regular interest penalties **as well** as additional interest penalties **no later than 40** days after the date on which the late payment is made.
- (5) **Payments Not Subject to Penalties.** The following payments are not subject to penalties:
- (a) Interim payments under cost reimbursement contracts.
 - (b) Progress payments based on **a percentage or stage of completion** (other than construction or architect-engineer contracts).

- (c) Advance payments.
 - (d) Payments made solely for financing purposes.
 - (e) Contracts for utilities (gas, **water**, electricity) or informal **con-**tracts for the purchase of utilities that include provisions for late-payment charges **establi shed by** tariff or State regulatory commi ssions.
 - (f) Payments **on which** the interest penalty would **be less than \$1**.
 - (g) Payments madeto recipients of grants **or Federal** assistance.
 - (h) Payments to Federal employees.
 - (i) Payments to Federal agencies.
 - (j) Payments of amounts withheld or deducted from **invoices by** the **contracting** officer, approving official, or Field **CFO's**, in accordance with contract terms. (Penalties are not **applicable before** the amounts are released. Once the contract is completed and these payments are released, interest penal ties apply.)
 - (k) Payments delayed because of disagreement over the amount of payment or other issues concerning compliance with the contract.
- i. **Departmental Quality Control Program.** OMB Circular No. A-125 requi resthat Federal agencies establish a **quality control (QC)** program to ensure that payments are **made in** accordance with OMB Circular No. A-125, to **provide a** reliable way to estimate payment performance, **and to** ensure the integrity of prompt payment reporting. As such, the following guidelines have been **established as** standards for the quality control program.

(1) Standards.

- (a) **QC must be** a systematic performance measurement system in place at each Field **CFO** which will provide managers information about problems and assist in targeting corrective action.
- (b) **QC data must be accurate within** the confidence level **of 90% with a** preci si on **of + or - 10%**,
- (c) Data should be **gathered as** frequently **as needed by the** cognizant Field **CFO** to identify and correct errors, but not less frequently than annually, and if only annually, at the end of each fiscal year. The annual review shall cover the entire preceding fiscal year. Frequent staff turnover, significant **increases or** changes in the nature of procurement actions, changing prompt payment requirements, and prior defi ci en ci es are si tu at i on s requiri ng more frequent **gath-ering** of data. If data are gathered more frequently than annually,

for example, quarterly, the data should be gathered based on a valid statistical sample drawn following each quarter of the fiscal year.

- (d) **QC reviewers** must use original documents and repeat original calculations.
 - (e) When a **total** review is not possible, data should be gathered on the basis of a statistically valid **sample** sufficient to assure **reliability of QC** reviews without unduly burdening finance office resources.
 - (f) Collection of data must be performed by persons independent from the original payment decision.
 - (g) Analysis of **QC data must result** in remedial action targeted to correct objectively determined error causes.
- (2) Procedures for Departmental Quality Control Program. Field **CFO's** shall use the following procedures to perform a quality control review.
- (a) Reviewers shall:
 - 1 Select a statistically valid random sample of sufficient **size to provide a 90%** confidence level, **+ or - 10%**, that sample data are representative of the overall population. See Attachment **I-13** for determination of sample size and Attachment **I-14** for checklist of items to verify.
 - 2 Gather sample data generated from original documents and repeat original calculations to assess prompt payment performance.
 - 3 Compare data generated from sample to system generated data to determine the accuracy of system generated data.
 - 4 Report **findings to** the Field **CFO**.
 - (b) Field **CFO's** shall:
 - 1 Select persons independent of the original payment decision to perform **QC** reviews.
 - 2 Determine the cause of any deficiency in payment performance or error in the system generated data.
 - 3 Implement appropriate action to correct any deficiency or any error causes.
 - 4 When a significant deficiency or error is discovered (e. g., that payment due date is routinely based on receipt of invoice only), conduct a follow-up review of data for the quarter following corrective **actions to** ensure deficiency **or error** has been

eliminated. The follow-up review shall also be performed on the basis of a **valid** statistical sample.

- 5 Maintain appropriate documentation related to the foregoing activities. Such documentation shall be made available upon request to the CFO or designee.

j. Prompt Payment Report.

- (1) Field CFO's shall submit prompt payment reports in the format and at the frequency determined by the CFO. At a minimum, the reports shall be submitted to the CFO annually to satisfy the reporting requirements contained in OMB Circular A-125, Prompt Payment, or other requirements that may be imposed by OMB. The reason for significant changes in level of activity or performance from the prior period must be explained in the reports. Refer to DOE 2200.8B, Chapter III, "External Reporting," for additional information.
- (2) Field CFO's should use actual data in the reports. However, to minimize the cost of reporting, valid statistical sampling methods may be used to derive the required information for reports. The use of statistical sampling methods must be disclosed in the Quality Control Section of the reports.

k. Offsets Against Debtors.

- (1) **General.** Collection of claims owed the United States by offset is covered in 10 CFR part 1015 and in DOE 2200.6A, FINANCIAL ACCOUNTING, Chapter III, "Receivables."
- (2) **Withholding by Other Agencies on Behalf of DOE.** DOE may request another agency to withhold a payment to a contractor when that contractor owes money to DOE. The other agency will make the payment directly to DOE for credit to the proper DOE field element.
- (3) **Offsets Against Employees.** Offsets against employees are covered in DOE 2200.2B, COLLECTION FROM CURRENT AND FORMER EMPLOYEES FOR INDEBTEDNESS TO THE UNITED STATES.
- (4) **Davis-Bacon Act and Contract Work Hours and Safety Standards Act.** Under the Davis-Bacon Act (40 U.S.C. 276a), the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-332(3)) DOE may withhold amounts otherwise due a contractor as a matter of ensuring that full wages will be paid its employees. Amounts withheld shall be sent to GAO Claims Division with a completed SF-1093, "Schedule of Withholdings Under the Davis-Bacon Act and/or the Contract Work Hours and Safety Standards Act," in duplicate. A schedule of the underpayments withheld, showing names of employees, current addresses, social security numbers, dates and hours of work, and classifications and rates at which paid, together with any claims received from the employees, shall be attached to SF-1093. GAO is responsible for

paying aggrieved employees amounts to which they are entitled and for settling claims by contractors based upon amounts withheld. See 4 GAO, Claims, for additional information.

7. LETTERS OF CREDIT.

a. General. Letters of credit **are used** for cash advances to recipients of financial assistance awards, contractors, and other organizations. A checks-paid letter of credit is used to reimburse contractors for work already performed. Before a letter of credit can be established, authority for advance payments **must be** contained in the financial assistance award, contract, **or other instrument** obligating DOE funds. If advance payments are authorized, **letters of credit** shall be used whenever the criteria for their use **are met**, as determined by the Field **CFO**. Letters of credit are not generally applicable to loan programs: however, they should be reconsidered for applications to loans **carrying** interest rates that are lower than Department of the Treasury borrowing rates. For additional information, refer to DOE Assistance **Regulations** (10 CFR 600), Federal Acquisition Regulations (48 **CFR et seq.**), **ITM 6-2000** and 6-2500, and **OMB Circulars A-102** and **A-110**.

b. Requirements.

- (1) The letter of credit shall be the financing method used whenever there is a continuing relationship with a recipient or contractor for at least **1 year**, involving annual advances **aggregating at** least \$120,000.
- (2) Advances shall be limited to the minimum amounts needed and shall be timed to be in accordance with actual and immediate cash disbursement requirements to carry out the approved program or project.
- (3) The timing and **amount of** the cash advances shall **be as close as is administratively feasible to** actual disbursements for direct program costs and for the proportionate share of any allowable indirect costs.
- (4) Advances may **be made** for accrued expenditures, but only to the extent that they represent immediate disbursement needs of the holder of the **letter of credit**.
- (5) Each Field **CFO** shall try to consolidate all advance funding to the same recipient organization under one letter of credit. To achieve this objective, all advance funding to the recipient organization shall be considered.
- (6) When a contractor 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 DOE Field **CFO** shall advise the contracting **official** to terminate advance financing unless termination is prohibited by the statutes governing the program(s). A **letter** of credit also may be revoked for other material financial management or administrative deficiencies. Before **revoking a** letter of credit, the Field **CFO**, in consultation with the contracting official,

may reject specific requests for funds or request the Department of the Treasury RFC to suspend the **letter of credit** for a **specific** period of time. If these steps do not obtain compliance from the recipient or contractor, then the letter of credit may be revoked. The recipient or contractor will then be **paid on** a reimbursement basis.

- (7) A **letter of credit** is a commitment, certified by an authorized certifying officer, specifying a dollar limit available to a designated payee. Payment on a letter of credit is by delegation of the Department of the Treasury at the request of DOE. A **letter of credit** is irrevocable (the **equivalent of** cash available to the recipient or contractor organization) to the extent that the recipient or contractor organization has committed funds in good faith **thereunder in** accordance with the contractor other agreement.
- (8) Use of letters of credit shall be covered **by a clause in** the grant contract or other financing agreement.

c. **Letter of Credit Methods.**

- (1) **Introduction.** The Department uses two methods of funding **organizations by** letters of credit. The first method is the checks-paid letter of credit, which is used to finance major contractors. Contracts authorizing the use of checks-paid letters of credit contain the contract clauses of DOE Acquisition Regulations (DEAR) Subpart 970.32, "**Contract Financing.**" Cash withdrawals by this method are determined by the total of checks issued by the contractor and presented for payment to the financial **institution** holding the letter of credit. This type of **letter of credit** requires a special contract arrangement with DOE, the contractor, and the financial institution. No new checks-paid letters of credit can be issued without the prior approval of the Department of the Treasury. Requests for such approval shall be submitted through the **CFO**. If the purpose of the checks-paid **letter of credit** remains the same but DOE changes the **financial** institution or the contractor, DOE does not need approval from the Department of the Treasury. However, Field **CFO's** should coordinate with the Cash Management and Funds Control Branch when there is a change of contractor or financial institution. More information on this type of letter of credit is contained in paragraph **7c(4)**. The second method of letter-of-credit funding used by the Department enables the recipient organization to obtain cash from the Department of the Treasury **concurrently** with cash disbursement needs. This is the letter of credit-Treasury Financial Communications System (**LOC-TFCS**) method. Financial assistance awards or contracts authorizing advance funding that may use **LOC-TFCS** methods must contain the provisions prescribed at title 10, section 600.112 ("Payment"), of the Code of Federal Regulations or Federal Acquisition Regulations (FAR) subpart 32.4 ("Advance Payments") as amended **by 48 CFR 932.4**, "Advance Payments." Under this method of funding, the recipient or contractor selects a financial institution to receive **SF-5805, "Payment Voucher on Letter of Credit,"** to meet current cash

needs. Detailed instructions for this **letter of credit** type are contained in **ITFM 6-2000** and 6-2500.

- (2) **Cash Management.** The Field **CFO** issuing letters of **credit** is responsible for monitoring the cash **drawdowns** to ensure compliance with Federal cash management principles. This **responsibility** is shared with the cognizant procurement and program officials. Funds advanced to others must be kept to the minimum amount necessary to meet the cash-flow needs of DOE's portion of the organization's liabilities. Cash advances to others should not exceed 3 workdays' requirements **or \$10,000, whichever is greater**. However, to avoid frequent requests, advances should normally be not less than \$5,000. Cash needs shall be determined by the **contractor's or recipient's** cash outlay requirements and shall not be based on costs incurred. Documents used to monitor **the cash position of a** recipient of a financial assistance award include **SF-269**, "Financial Status Report"; **SF-272** and **SF-272A**, "Federal Cash Transactions Report"; **SF-271**, "Outlay Report and Request for Reimbursement for Construction Programs"; and any other **report of** a recipient's financial activity that may be required for effective cash management.
- (a) **Monitoring.** Financial reports required by the terms and conditions of a contract shall be used to monitor advances to the **contractor's** cash position. The **contractor's** cost reports shall be compared to the letter-of-credit activity and **balance of** Federal cash on hand periodically, but not less frequently than each quarter. This review is to provide assurance that the **contractor is** drawing advances in accordance with the terms of the contract and that the contractor is making **drawdowns** as close as is administratively feasible to the actual disbursements by the recipient organization. **If the contractor fails** to demonstrate adequate procedures to time letter-of-credit **drawdowns** with actual cash needs, then the letter of credit shall be revoked.
- (b) **Refunding.** If funds are erroneously drawn in excess of a recipient organization's immediate disbursement needs, the funds should be promptly refunded and reissued when needed. The only exceptions to the requirement for prompt refunding are when the funds involved will be disbursed by the recipient organization within **7 calendar days** or when they are less than \$10,000 and will be disbursed within **30 calendar days**. These exceptions to the requirement for prompt refunding should not be construed by the recipient as approval by the Department of the Treasury or **DOE for a** recipient organization to maintain excessive funds. These exceptions are applicable **only to** excessive amounts of funds that are drawn erroneously.
- (c) **Interest Income.** Any interest income earned by a **recipient organization** on Federal funds must be promptly refunded unless the recipient is authorized by law to keep the interest earned. State governments and instrumentalities of States and their **subgrantees** are exempted from this policy by the Intergovernmental Cooperation Act of 1968

(Public Law 90-577). Additionally, OMB Circular A-110, "Grants and Agreements with Institutions of Higher Education," specifies that recipients shall maintain advances of Federal funds in interest-bearing accounts. Interest earned on these accounts shall be remitted at least quarterly to DOE. Up to \$100 of the interest earned per year may be retained by the recipient to cover administrative expenses.

- (d) **Termination.** The letter of credit shall be revoked, and any unused advance shall be returned, when either the contract expires or the work is completed. If additional monies are due after the letter of credit has been revoked, the final payment will be by SF-1166 OCR, "Voucher and Schedule of Payments."

(3) ~~Letter of Credit-Treasury Financial Communications System~~

- (a) The LOC-TFCS improves the control of Federal advances made under the letter-of-credit method of financing by providing both preaudits of requests for funds and fixed payment times. The LOC-TFCS also provides timely and accurate accounting and reporting information on letter-of-credit transactions. Requirements for establishing and administering a letter of credit are contained in ITFM 6-2000 and 6-2500.

- (b) Each DOE field element issuing letters of credit has the following functions:

- 1 Designate certifying officers for letters of credit;
- 2 Issue the necessary LOC-TFCS documents and procedures to the contractor or recipient organization, and forward the completed document to the Department of the Treasury servicing RFC;
- 3 Ensure examination of requests for funds submitted by the contractor or recipient organizations for completeness and correctness;
- 4 Monitor cash advances to ensure that the recipient or contractor does not maintain excessive balances; and
- 5 Fulfill accounting and reporting requirements.

- (c) The Field CFO shall advise the recipient or contractor of the following:

- 1 That financial institution participation in LOC-TFCS is voluntary,
- 2 The correct preparation and distribution of the various prescribed forms,

- 3 The requirement that advances of Federal funds be limited to the minimum amounts necessary for the immediate disbursement needs of the **recipient or** contractor organization, and
 - 4 That a financial institution **causing** the Department of the Treasury to make an erroneous payment to a recipient or contractor organization's account shall be **liable to** the Department of the Treasury for the amount of the erroneous payment and for any interest earned to the extent allowed by law.
- (d) Information regarding **participation** in the LOC-TFCS program may be obtained from the **CFO**.
- (e) **Review and Processing of Requests for Funds.**
- 1 **General.** When a contractor or recipient requires funds, it submits an **SF-5805, "Request for Funds,"** to its financial institution. The financial institution transmits (via the Federal Reserve Communications System) a **"Request for Funds"** (type 1031) message to the Department of the Treasury. Request for Funds messages that pass the Department of the Treasury edits are routed to the DOE office **responsible** for the payment through the Office of Departmental Accounting and Financial Systems Development (**CR-40**). The Field **CFO** advises DOE Headquarters of its decision to either payer reject the **"Request for Funds."** DOE Headquarters shall advise the Department of Treasury, via EFT terminal, of the decision to pay or reject.
 - 2 **DOE Responsibilities.** Upon receipt of the "Request for Funds" message, the Field **CFO** shall **review it** and ensure the following:
 - a Correct recipient **organization** name.
 - b Payment is not in excess of the recipient or contractor **organization's** total available balance for all awards covered by the letter of credit.
 - c Third-party information provided is acceptable **and in accordance** with the requirements **of DOE. If a "Request for Funds" message is** received containing a minor error in the third party information block, the DOE Field **CFO** shall make every effort to resolve the error directly with the contractor or recipient and therefore avoid rejecting the "Request for Funds" message. This will eliminate the administrative burden of requiring the contractor or recipient to complete another **SF-5805, "Request for Funds,"** and requiring the sending financial institution to transmit another **"Request for Funds"** message.
 - d All **required** expenditure reports are properly prepared and received from each organization funded by a letter of credit.

- e The Federal funds on hand with the organization funded by a letter of credit **are not** in excess of immediate needs, and payment of the pending request will not result in excess Federal funds on hand.
- f Any other criteria or measurement that the Field CFO considers applicable in reviewing a "Request for Funds" message, provided that the requester has been notified of these criteria.

3 Rejected Messages.

- a If the "Request for Funds" message is to be rejected, the DOE Field CFO should advise the Office of Departmental Accounting and Financial Systems Developmental soon as possible after the decision **is made** to reject the request so that the office can enter the rejection into the Department of the Treasury system. Rejections preprocessed by the LOC-TFCS immediately, and prompt responses will avoid making recipients wait additional time for funds. The Field CFO should ensure that responses are processed as soon as possible, but not later than the Department of the Treasury established cutoff time, **which is 2:00 p.m.**, eastern time, on the workday following the date of receipt of the "Request for Funds" message by DOE Headquarters. To ensure timely and proper processing, Field CFO's should time their responses **to be** received by the Office of Departmental Accounting and Financial Systems Development by noon, eastern time, of the workday after the date of the "Request for Funds" message. If the Department of the Treasury **is not notified of DOE's** decision, the "Request for Funds" will **be paid by the LOC-TFCS** automatic pay function.
- b If the "Request for Funds" message is rejected by the Department of the Treasury due to the transmission of incorrect information by the sending financial institution but the information has been provided correctly by the requesting organization on the SF-5805, "Request for Funds," the sending financial institution shall be notified by the cognizant DOE Field CFO to obtain the proper information and **transmit a correct "Request for Funds" message as** soon as possible.
- c The contractor's or recipient's financial institution is responsible for notifying the contractor or recipient of the rejection and the reason(s) for the rejection.

- 4 **Approval of Message.** If the "Request for Funds" message is approved for payment by DOE, atype/subtype 1032 message, "Funds Transfer Honoring a Request for Funds," is generated on the workday following receipt of the original message unless **it is to be paid on the same day** (see paragraph 7c(3)(h)).

- (f) **Automatic Pay Function.** If DOE does not enter a pay or reject decision into LOC-TFCS prior to the 2:00 p.m., eastern time, cutoff, the Department of the Treasury's LOC-TFCS system is programmed to pay all outstanding "Request for Funds" messages that were received on the prior business day. If the Field CFO wants this automatic function delayed in order to make a better decision on a particular "Request for Funds," there are two actions that must be taken. First, the Office of Departmental Accounting and Financial Systems Development must be notified of the desire to delay the automatic payment function. The Office will contact the Department of the Treasury and request accomplishment of the Field CFO's request. The Field CFO, with approval of the RFC, may telecopy the request for the delay and mail the original to the RFC on the same day. The request must be signed by an authorized certifying officer. The automatic pay function can only be delayed for short periods of time by the Department of the Treasury. Field CFO's are not encouraged to request delays of the automatic pay function except in emergencies. If a payment is made by the automatic pay function and the Field CFO realizes that it should have been rejected, the Field CFO authorizing the payment is responsible for recovery of the funds. Any resulting excess balances shall be recovered by the cognizant Field CFO.
- (g) **Emergency Payment.** If the Field CFO determines that an organization has an emergency need for funds, the Field CFO shall advise the servicing RFC accordingly. Depending on the circumstances, the RFC may initiate emergency procedures to expedite processing of a "Request for Funds" message, or payment may be made outside the LOC-TFCS. Payment outside the LOC-TFCS is accomplished by the submission of an SF-1166 OCR, "Voucher and Schedule of Payments," for FEDWIRE payment completed in accordance with I TFM 4-2500. Either the letter of credit must be amended to decrease the authorized balance by the amount of the SF-1166 OCR payment or the amount of the SF-1166 OCR payment may be offset against a pending increase in the authorized balance of the letter of credit.
- (h) **Same-Day Payment.** Same-day payment, such as checks-paid withdrawals of cash from the Department of the Treasury, is an exception to standard procedures for the LOC-TFCS. Same-day payment shall be limited to activity where it will provide clear benefits to the requesting organization or to the Federal Government. The Department of the Treasury must give its prior approval for same-day-payment requests.
- (i) **Excess Federal Funds Held by Letter of Credit Recipients or Contractors.**
- 1 Each Field CFO shall instruct organizations funded by letters of credit to return excess Federal funds, in accordance with DOE instructions, and redraw funds when needed. Federal cash held by recipients should not exceed \$10,000 or the amount required for the next 3 workdays' disbursements, whichever is greater.

2 In addition to refunding excess funds, any interest income earned by an organization on Federal funds shall be promptly refunded to DOE as provided by the terms of the award instrument. Field CFO's shall deposit the portion of the amount refunded that represents the initial advance to the appropriation or fund account charged with the advance. The portion that represents interest income should be redeposited into the Department of the Treasury's receipt account 89X1435 General Fund, Propriety Interest, Not Otherwise Classified, or such other account as specifically authorized by law. These transactions shall be reported on the regular SF-224, "Statement of Transactions."

(j) If a financial institution causes the Department of the Treasury to make an erroneous payment to an account of an organization funded by a letter of credit, the financial institution shall be liable to the Department of the Treasury for the amount of the erroneous payment and for a penalty. The penalty shall be calculated at the applicable Federal Funds Rate and shall be due for the entire period that the erroneous payment remains outstanding.

(4) Letter of Credit-Federal Reserve Bank System

(a) General. The LOC-FRB system is limited to the checks-paid method, under which a financial institution is selected to draw on the letter of credit. The drawdowns are delayed until the checks issued by the contractor organization are presented to the selected financial institution for payment. The amount of the drawdown should be sufficient to maintain the contractor's account balance as close to zero as administratively possible. Subsidiary checking accounts, such as payroll, will not be prefunded but will be included in the drawdown to cover checks cleared against the main account. The DOE Field CFO shall record drawdowns as of the dates paid. Payment vouchers shall be accumulated and used for monthly reconciliation with the Department of the Treasury. Restoration of the financial institution's reserve account is accomplished on the same day by drawing on the account of the FRB that services the letter of credit. Under the checks-paid letter of credit method, the financial institution is compensated for services performed by the most cost-effective method available as determined by DOE and the contractor.

(b) Requirements and Procedures for Managing LOC-FRB

1 Requirements. Detailed requirements for establishing a letter of credit under the LOC-FRB system are contained in ITFM 6-2000. The following paragraphs summarize the principal steps followed to setup and manage checks-paid LOC-FRB's.

2 Procedures. When the contracting officer has determined that the recipient organization is eligible for advance financing and the Field CFO has determined that a checks-paid letter of credit is

appropriate, the **Field CFO shall** work with the cognizant procurement official and the contractor to establish the **letter of credit**. The **Field CFO will** provide the contractor with the information required to survey eligible financial institutions for interest in supporting the **contractor's** letter of credit. DOE requires that financial institutions be within the same banker branch territory of a given Federal Reserve district as the contractor, covered by the appropriate deposit insurance, and post collateral in accordance with Department of the Treasury **regulations** governing securing of Government accounts. On **completion of** the survey, the contractor shall be asked to provide **a list of suggested bidders** to the procurement officer. The procurement officer shall solicit bids from eligible institutions and, with the advice of the **Field CFO** and the contractor, competitively **select a** financial institution to support the contractor's letter of credit. A copy of the special bank account agreement **signed by** all parties shall be delivered to the **Field CFO** so that a **letter of credit** may be established. Refer to Attachment 1-11 for a sample **of a** special bank account agreement.

- a** Prior to soliciting bids from financial institutions for their services, the following actions must be completed:
- i** The contractor, with the **Field CFO's** assistance, shall complete the "**Schedule of Financial Institution Processing Charges**" form (Attachment **I-7**) by typing **in the contractor's** name and the projected monthly quantities **for services** that the institution will be required to provide. Use of this form will standardize the basis on which the institutions will bid.
 - ii** When the time deposit method is selected, the Treasury Tax and Loan (**TT&L**) Rate shall be used for calculating the amount of the non-interest-bearing time deposit to be placed with the financial institution (Attachment **I-8**).
- b** The procurement officer shall determine the method to be used in soliciting bids. Soliciting for bids shall be done by the cognizant procurement **office in** accordance with acquisition regulations.
- c** Samples **of materials to be** included in the solicitation are Attachments **I-7** through 1-12. The information **contained in** Attachments **I-9** through **I-11** may not be comprehensive and can be modified to include applicable cash management provisions contained in paragraph **7c(2)** and any other warranted provisions. Generally, if specific requirements are not spelled out **in the contract**, then the financial institution cannot be required to perform. However, there is one clear exception to this rule. Under checks-paid letters of credit the funds and

the accounts held under **the agreements** belong to the Government and will be collateralized in accord with Department of the Treasury regulations, specifically, Department of the Treasury Circular 176 and ITFM 6-9000. Field CFO and procurement offices shall revise current agreements as they are completed or renewed to include applicable cash management provisions contained in paragraph 7c(4)(h).

(c) Financial Institution Compensation. Most financial institutions require compensation for services provided under checks-paid letters of credit. The financial institution will be compensated for its services based on the fees charged for those services. **It may be compensated** by a direct payment of the amount of the fees and those costs would be rechargeable as program costs, or it may be compensated by the placement of a non-interest-bearing time deposit, which **it can** invest. The earnings on that investment would be the financial **institution's** compensation. The financial institution will not be allowed to hold balances in the checks-paid letter of credit accounts (often referred to as "**the contractor's bank** accounts"). If DOE finds that the institution is holding balances in these accounts, the institution will be required **to fully collateralize** those balances. Prior approval **by the CFO** is required for the use of any other form of compensation.

- 1 The compensation method selected shall always be **the most cost-effective**, taking into consideration the cost of money to the Department of the Treasury and the administrative costs of monitoring the method selected.
- 2 Under the direct payment method, the financial institution submits **a monthly** invoice to the contractor's office. The invoice will show amounts **due in** accordance with the per item costs **specified on the "Schedule of Financial Institution Processing Charges"** (Attachment I-7), and for any interest charges on account overdrafts. The financial institution is compensated by a check drawn on **the recipient's** account in the financial institution.
- 3 Under the time deposit method, the financial institution receives a non-interest-bearing time deposit sufficient to generate income for the financial institution equal to its annual service charges. These service charges are based upon annual volumes of account activity and the per item costs as stated on the "**Schedule of Financial Institution Processing Charges**" (Attachment I-7). Specific Instructions for determining the proper time deposit balance can be found in the "**Calculation of Time Account Balance Required**" form (Attachment I-8). The time account **shall** be established before the first **drawdown** on the letter of credit. All Government funds in a financial institution must be protected against loss. This includes time **deposits placed** with **the institution as compensation** for services and positive balances that occur in the demand

accounts from time to time. For each relationship that exists, the total balance held by the institution will be the amount that is to be collateralized, less the amount of the approved insurance. Deposits in approved financial institutions are covered by Federal or federally approved insurance up to a set limit. Amounts in excess of the insurance limits must be secured by collateral pledged with an FRB. The Treasury Financial Manual (TFM 6-9000) describes the collateralization procedure.

- (d) Use of Financial Institutions That Do Not Maintain an Account at the Federal Reserve. If the selected financial institution does not maintain an account at the Federal Reserve, the funds drawn are deposited to the recipient's financial institution through a correspondent that maintains an account at the FRB. As funds are required under the checks-paid method, the financial institution or the FRB will prepare and process the TFS-5401.
- (e) Telephonic or Wire Method. The telephonic or wire method may be used in those cases where a financial institution operating a checks-paid letter of credit is located outside a Federal Reserve city and cannot forward the TFS-5401 to the FRB before the FRB cutoff time for same-day payment. If drawdowns on the letter of credit will be made through either the telephonic or the wire method, the letter of credit must be sent to the Department of the Treasury under a separate cover, rather than as a regular letter of credit. The steps in paragraphs 7c(4)(b)1 and 2 must be followed to ensure that the telephonic or wire method is properly approved and established.
- 1 When it is determined that the telephonic or wire method will be used, the DOE Field CFO shall submit a written request to the Department of the Treasury approximately 1 month before the desired implementation date. The request should include the following:
- a Name and address of the recipient organization.
 - b Name and address of the financial institution selected to provide the services,
 - c Name and telephone number of a contact at the selected financial institution,
 - d Letter of credit number,
 - e Proposed date of implementation,
 - f Proposed method of notification (wire or telephonic), and
 - g Name of the appropriate FRB or Federal Reserve branch.

- 2 The Department of the Treasury will obtain the Federal Reserve approval and notify the DOE Element of the following:
 - a That approval has been granted,
 - b The date on which the letter of credit can be implemented, and
 - c The name and address of the person at the appropriate FRB or Federal Reserve branch who is designated to receive the blank TFS-5401's from DOE.
- (f) Monitoring Checks paid Letters of Credit. The Field CFO shall establish procedures that will result in a review of each checks-paid letter of credit account at least quarterly. Minimally, the review shall entail an analysis of the account statements to determine whether the accounts are being operated by the financial institution correctly, whether the financial institution is being properly and adequately compensated in accord with the agreement, and whether the financial institution is maintaining the level of collateral commensurate with the account balances. Overdrafts and excess balances shall be dealt with as detailed below; however, the primary consideration in this process is to ensure that the financial institution is paid for the services performed; that account balances are minimized; and that if account balances are over the prescribed insurance limit, they are properly collateralized.
- (g) Overdrafts and Excess Balances. Although drawdowns under a checks-paid letter of credit are made with the intent of maintaining the cash balance in the hands of the recipient as close to zero as administratively feasible, overdrafts and excess balances may occur. In such cases, the procedures below should be followed.
 - 1 Unexpected 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.
 - 2 Expected or Recurring Overdrafts. If overdrafts frequently occur in an account or are expected to occur due to checks clearing after the established cutoff time for clearing checks, the DOE Field CFO, with the approval of the CFO, shall consider prefunding the account. Under the prefunding concept, the Field CFO requires the financial institution to estimate the average dollar value of checks presented each day that the financial institution cannot clear in time to make a letter of credit drawdown. The financial institution is allowed to adjust each drawdown by the predetermined estimated amount plus any negative account balance or minus any positive account balance from the previous day.
 - 3 Excess Balances. An excess balance in an account results when a financial institution makes a drawdown from the letter of credit

for more money than is needed to cover the **net of** the receipts and disbursements for the day against the contractor's **account**. Generally, this excess **balance is** netted against the next business day's activity in the account, and the long-term effect is that the account remains **at or as close as** administratively possible to a zero balance. Excess balances are generally considered when the **Field CFO** performs the monthly or quarterly account analyses to determine whether the financial institution is being properly compensated for the services performed. If the **institution is** being paid **on a** fee basis, the excess account balances **should be** refunded to the Department. The refund shall be made to the **Field CFO by check** made payable to the Department of Energy. The **financial** institution also shall pay a penalty to compensate the Federal Government for the loss of **availability of funds**. If the institution caused the **positive account** balance and appears not to have made an effort to clear the balance out, the Federal Funds Rate shall be used to determine the amount of the penalty. If the balances are generally routine in nature, then the **TT&L** Rate shall be used. In either instance, the refund shall be credited to the appropriation or fund account from which the funds originally came. The penalty amount shall be credited to account **89X1435**, General Fund, Proprietary Interest. Not Otherwise Classified. or to another account specifically **authorized** by the Department of the Treasury. The **Field CFO** shall amend the letter of credit to make the refund, but not the interest, available for future program disbursements.

- (h) **Computation of Interest.** Monthly, the financial institution **calculates the** average daily balance for the account **net of** the time deposit. This calculation shall be used as the basis for determining recovery on excess balances and, inapplicable, interest charges on account overdrafts.
- 1 **Overdrafts.** The financial institution may want to be compensated for overdrafts that occur as part of the normal operation of a checks-paid letter of credit. When interest on overdrafts is paid, it is computed monthly, using the average **TT&L** Rate for the period of occurrence. If the calculated average daily balance for the month is negative, the financial institution, under the direct payment method, bills the recipient organization for an amount equal to the average daily balance times the applicable **TT&L** Rate divided **by 12**. Under the time deposit method, the financial **institution** provides this computation to the recipient organization, but no adjustment is made until the quarterly review of the time deposit.
 - 2 **Excess Balances.** Whenever the average daily balance for the month, as calculated in paragraph **7c(4)(g)3**, results in a **positive** balance, the financial institution compensates DOE for the loss of **availability of funds**. The amount **calculated is** remitted to the

Field CFO monthly and deposited into the Department of the Treasury's receipt account 89X1435, General Fund, Proprietary Interest, Not Otherwise Classified, or such other account specifically authorized by statute. All letter of credit agreements shall contain a provision for compensation resulting from loss of availability of funds to the Government because of excess balances held by the financial institution. If the financial institution had no control over the positive balance, the financial institution will compensate DOE for the loss of the availability of funds by multiplying the average daily balance for the month by the TT&L Rate divided by 12. If the financial institution caused the positive account balance, it shall pay a penalty determined by multiplying the excess fund balance by the Federal Funds Rate adjusted for the proper period of time.

- (5) Preparation and Distribution of Forms. Standard forms prescribed for use under the Federal Reserve Bank System are available from GSA stores. The TFS forms are available from the Department of the Treasury. Instructions for completing the required forms are contained in ITFM 6-2000 and 6-2500. In accordance with ITFM 6-2000 and 6-2500, forms shall be manually signed, as required, by authorized individuals.
- (a) Overprinting of Forms. Overprinting of the DOE servicing office's name, ALC, and other recurring information on the prescribed forms is permitted. Other changes or modifications to the prescribed forms require prior approval of the CFO and the Department of the Treasury.
- (b) Department of the Treasury Mailing Addresses Refer to ITFM 6-2500, appendix 7, for the address of the Department of the Treasury RFC processing letters of credit under the LOC-TFCS system for the region. All forms used in the LOC-FRB system shall be mailed to the following address:

Letter of Credit Section
Washington Regional Financial Center
U. S. Treasury-FMS
P.O. Box 37214
Washington, DC 20013

The street address for messenger pickup and delivery of letter-of-credit documents is:

441 G Street, NW
Receiving 3251A
General Accounting Office (GAO) Bldg.
Washington, DC 20013

- (6) Closeout of a Letter of Credit. When the balance of the letter of credit has been completely withdrawn, the DOE Field CFO shall request the

Department of the Treasury to revoke the letter of credit. The request should be by memorandum or a letter signed by a certifying officer and forwarded to the Department of the Treasury.

- (7) **Reporting Requirements.** Each Field CFO shall record expenditures from the third copy of each TFS Form 5401, "Payment Voucher on Letter of Credit," received from the Department of the Treasury as of the date paid and from the copy of the type/subtype 1031 Message, "Request for Funds," faxed from the Office of Departmental Accounting and Financial Systems Development based upon each SF-5805, "Request for Funds." (Note that TFS form 5401 is used to initiate withdrawals for an LOC-FRB.) These documents are used for reporting monthly letter of credit activity on the SF-224, "Statement of Transactions." A separate SF-224 is required for letter of credit activity of each ALC.

8. **IMPREST FUNDS.**

a. **Introduction.**

- (1) Accountability and control of cashier advances and **imprest** fund operations were transferred from the Department of the Treasury to Federal agencies pursuant to the Department of the Treasury Bulletin 84-21, dated 9-10-84. The transfer from the Department of the Treasury did not include authority to delegate cash disbursement authority to individual cashiers. Therefore, DOE recommended cashier and alternate appointments and changes still must be approved by the Department of the Treasury.
- (2) As a result of this transfer, DOE has direct **responsibility** for ensuring the proper use of cashier advances and establishing procedures to govern **imprest** fund activities. DOE must continue to effectively manage **imprest** funds because:
- (a) Cashier advances are now charged to DOE's appropriated funds and thereby bring such advances under DOE and OMB guidelines that control appropriations.
- (b) DOE now has **authority to** approve changes in **imprest** fund amounts and the numbers of funds being operated.
- (3) All DOE **imprest** funds operate under 31 U.S.C. section 3321 (formerly Executive Order 6166) and the policies and procedures contained in the Department of the Treasury Manual of Procedures and Instructions for Cashiers, dated 7-85.
- (4) Each **imprest fund is a cash** fund in the form of currency, coin, or Government check. The amount of each fund has been charged to a DOE **appropriation** account. The fund is **advanced by** an authorized DOE official to a properly designated cashier forsaking cash **disbursements as** specifically authorized. The fund may **be of a** revolving nature and replenished to the fixed amount as spent or used, **or it may be of a** statutory nature, **such as a**

change-making fund. The use of money orders, designated charge cards, **traveler's** checks, and third-party drafts must have prior approval from the CFO.

- (5) There are several categories **of cashiers**. Each is fully **described in** the Department of the Treasury Manual of Procedures and Instructions for Cashiers.

b. Authorization and Designation

- (1) As stated above, the Department of the Treasury retains delegation authority for individual cashiers. All appointments and changes of principal and alternate cashiers **must be** approved by the Department of the Treasury.
- (2) Departmental **officials** delegated the authority to recommend cashiers must be so designated on a properly executed TFS 2958, "**Delegation of Authority**."
- (3) Departmental officials will recommend principal and alternate cashier designations, revocations, class changes, and other changes **to the cognizant** Department of the Treasury disbursing officers on a properly executed **SF-211, "Request for Change or Establishment of Imprest Fund."** Department of the Treasury disbursing officers will take action on the request and return appropriate copies of the form to DOE. Departmental officials will then **submit a** copy of the accomplished **SF-211** to the Cash Management and Funds Control Branch (**CR-433**).

c. Increasing or Decreasing Authorized Balances. Each Field **CFO** must review the size of each **imprest** fund under his or her control at least once every 6 months. Based on reviews and analyses of monthly reporting and related operating data, Field **CFO's** shall approve or disapprove requests to change **imprest** fund balances.

- (1) When **imprest** funds are increased, decreased, established, or abolished, the following procedures apply:
 - (a) **A copy of** the completed **SF-211, "Request for Change or Establishment of Imprest Fund,"** shall be sent to the Cash Management and Funds Control Branch **to advise it of** the change in the fund.
 - (b) If the change is to increase or establish **an advance**, an **SF-1166 OCR, "Voucher and Schedule of Payments,"** shall be submitted to the servicing RFC.
 - (c) If the change is to decrease or abolish **the advance**, the amount of the reduction may be deposited into the Department of the Treasury and credited to the appropriate account or the reduction may be effected by not replenishing the fund by that amount.

- (2) The accounting entries reflecting a change or establishment of an imprest fund shall be made in accordance with DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.

d. Securing and Disbursing Cash.

- (1) Replenishment of Principal Advance. To maintain an imprest fund at an authorized amount, replenishments must be made on a periodic basis. The principal cashier may submit an SF-1129, "Reimbursement Voucher," to the designated certifying official, who shall prepare an SF-1166 or another appropriate voucher for submission to the RFC to replenish the fund. Reimbursements accomplished by magnetic tape shall proceed as directed by the Department of the Treasury.
- (2) Managing Cash. Cashiers shall monitor the use of the fund to ensure that cash balances are maintained at the minimum levels needed to meet operating requirements. Cashiers shall request replenishments in accordance with these demands.
- (a) Size of Replenishment Checks. Replenishment checks should be requested for the smallest amounts practical to minimize the amount of cash on hand needed to meet normal requirements.
- (b) Check-Cashing Fees. Before paying a fee to a local financial institution for cashing a Department of the Treasury check, the cashier shall make every effort to have the check cashed without a fee. Long-term arrangements to cash replenishment checks fee free should be made whenever possible. If paying check-cashing fees cannot be avoided, they may be paid from imprest funds. These funds must be reasonable and customary for the cashier's geographical area. Fees paid should be supported as follows:
- 1 Prepare an SF-1165, "Receipt for Cash-Subvoucher," or an equivalent receipt in duplicate, describing the official check and its purpose.
 - 2 Have an official of the financial institution sign the original receipt and affix the bank's "paid" stamp at the time of payment of the fee.
 - 3 Retain the original receipt with the other imprest fund receipts.
 - 4 Include the fee in the next routine replenishment transaction.
- (c) Endorsing an Unused Check. Replenishment checks should not be held for more than 90 days without an assessment by the finance officer as to the continued need for the imprest funds represented by the unnegotiated checks. Uncashed checks returned to the Department of the Treasury shall be endorsed to the order of "Department of Energy," not Department of the Treasury, since such funds have been

charged to a DOE appropriation. These checks shall be deposited with an SF-215, "Deposit Ticket," to the appropriate eight-digit ALC.

e. Safekeeping Facilities for Cash. Imprest fund assets, especially cash, require absolute security. Field CFO's or designees shall ensure that adequate physical facilities and internal controls are provided for **safekeeping of imprest** fund assets. The cashier must maintain exclusive control of the fund, regardless of the safekeeping facilities provided. The Department of the Treasury Manual of Procedures and Instructions for Cashiers provides additional **guidance on** safekeeping facilities for **imprest** funds.

f. Responsibilities for Cashiers' Funds.

(1) Personal Liability. Each **cashier is** personally liable (legally **responsible**) for all Government money coming into his or her possession and is obligated to faithfully perform his or her duties.

(2) Duration of Liability. The **cashier's** liability for the funds advanced continues from the time the cashier receives the funds until proper and acceptable accounting **therefor is** made, **either to** the officer who advanced the funds or to another officer directed to receive the accounting for the advance.

(3) Responsibilities.

(a) Each cashier is required by public **law to do the following:**

1 Keep all **imprest** funds in his or her possession safe and separate from all other funds (commingling of personal or other money with **imprest** funds is prohibited):

2 Respond faithfully and promptly to official orders to transferor payout funds;

3 Perform all other duties as a **fiscal** agent of the Governmental specified by law, DOE guidelines, or overall guidance **issued** by the Department of the Treasury; and

4 Report all facts immediately **to his** or her supervisor in the event of a loss, shortage, or theft of **imprest** or other official funds.

(b) For cash payments under the On-the-Spot Monetary Recognition Awards program (Spot Awards), the cashier is responsible for the following:

1 Confirming that the individual presenting the utility copy of the **SF 50**, "Notification of Personnel Action," is the individual pictured **on the** DOE badge:

- 2 Recording the DOE badge number. obtaining the individual's signature, and verifying the signature against the **signature** on the DOE badge;
- 3 Ensuring that payment is based upon the utility copy of an approved SF 50 which includes the following code in block 5-E: "91F." In addition, the following legend must be included in block 5-F: "DOE 3450. 1A ON THE SPOT TO BE PAID FROM IMPREST FUND;"
- 4 Ensuring that payment **is not** made prior to the effective date shown in block 4 of the SF 50;
- 5 Paying spot awards in the gross amount. but ensuring that an award in excess of the maximum amount payable **is not** paid; and
- 6 Retaining the utility copy of the SF 50 as documentation of payment.

(c) Cashiers are not permitted to do the following:

- 1 Loan official funds;
- 2 Use funds for their own purposes;
- 3 Deposit public money in financial institutions. except where **authorized to** do so;
- 4 Exchange personal or other money with other funds unless authorized to do so;
- 5 Place **subcashier** funds and the principal fund in the same safe without appropriate safeguards; or
- 6 Allow unauthorized access to the key or combination of the safe(s) containing **imprest** funds.

g. Transfer of Cash Between Cashiers and Between Employees and Cashiers.

- (1) Changes in Principal Cashiers. When a principal cashier leaves the position, the official designated to appoint cashiers shall request the Department of the Treasury to **designate a** new principal cashier. using SF-211, "Request for Change or Establishment of **Imprest** Fund." Funds then must be retransferred to the new principal cashier. The change may take place **without a** response from the Department of the Treasury. If a new principal is not available immediately, the advance may be transferred to an alternate until a principal **cashier is** designated by the Department of the Treasury. However, if there is no alternate, the funds must be returned, **by means of SF-215, "Deposit Ticket,"** to the appropriation from which they were advanced. **Subcashiers** are not **authorized to** act as cashiers or their alternates.

(2) Transfer of Funds. A transfer of funds is achieved **by the** outgoing principal cashier transferring the uncashed advances, replenishment checks, and cash to the incoming principal cashier. The outgoing principal cashier shall use **SF-1129, "Reimbursement Voucher,"** or another appropriate voucher for this purpose, typing "TRANSFER OF FUNDS" across the **top of** the form. An audit of the **imprest** fund must be reconducted whenever **there is** a change from one cashier to another. This audit must include advances to alternates or **subcashiers.** If a discrepancy is found while accounting for the funds of the alternate or **subcashier,** the discrepancy shall be noted on the **SF-1129** or other appropriate voucher, to record the transfer pending clearance action.

(3) Advances to Alternates.

(a) **A principal cashier may** make an advance to an alternate cashier. The purpose of this advance is to permit uninterrupted disbursing service during short absences of the cashier or when the **volume of** work requires the services of the alternate. The advance shall be limited to cover only the estimated absence of the cashier. The alternate shall sign an **SF-1165, "Receipt for Cash-Subvoucher,"** or equivalent receipt for the amount of the advance. The principal cashier shall retain this receipt to account for the full amount of the fund.

(b) In instances of unforeseen absence of the principal **cashier when** funds cannot be advanced to the alternate, a committee of three persons, **one of whom** is the alternate cashier and the others **designated by** the individual **authorized to** appoint cashiers or the Field CFO or a designee, shall **accomplish** the advance, using the procedures prescribed in paragraph 8g(3)(a). Each committee member shall sign the transfer.

(4) Advances for Subfunds. Class **B or D cashiers** may make advances to sub-cashiers for disbursing purposes (class B) or change-making purposes (class D). The cashier shall ensure that the **subcashier** to whom the advance is made signs a receipt (**SF-1165**).

(5) Advances to Employees. Funds may be advanced to an employee **for an** approved purpose upon execution of a properly prepared **SF-1165** or other **suitable** receipt form.

h. Purchases, Miscellaneous Cash Payments, Spot Awards, and Advances.

(1) Payments from **imprest** funds can be made for select types **of small** purchases (including travel advances).

(2) Small purchases must be in accordance with the principles, standards, and related requirements **contained in** the Federal Acquisition Regulations and any supplemental DOE regulations. The Department of the Treasury Manual

of Procedures and Instructions for Cashiers provides guidance for purchases that maybe paid through **imprest** funds.

- (3) Each payment made shall be supported by a receipt. Cashiers **must be** able to account for the full amount of funds being held at any given time. Funds may consist of cash, uncashed Government checks, sales slips, invoices, or other receipts for cash entrusted to other Individuals for specific purposes.
- (4) Routine cash disbursements cannot exceed \$500 for each transaction. Written requests for waivers **of this** limit must be resubmitted in advance to **the CFO**. Field **CFO's** may approve an emergency one-time exception **for a** single transaction. For limitations on cash disbursements for the Spot Awards program refer to **DOE 3450.1A, INCENTIVE AWARDS**.
- (5) Unless specific authorization has been obtained from the Department of the Treasury, **imprest** funds cannot be used to make cash payments for personal services, salary, or benefit purposes. If such authorization has been granted, disbursements must be in accordance with the conditions **established by** the Department of the Treasury.
- (6) The Department of the Treasury has granted DOE specific authority to make cash payments from **imprest** funds for the Department's Spot Award Program. No other performance award may be paid from **imprest** funds.

-i. Accountability Reports and Verification of Funds.

- (1) Accountability Reports. Each principal cashier must **submit an** accountability report as prescribed by the Department of the Treasury Manual of Procedures and Instructions for Cashiers.
- (2) Evaluation of Accountability Reports. The Office of Departmental Accounting and Financial Systems Development, for Headquarters, and Field CFO's, for field elements, shall analyze each accountability report received. The results of the analysis should be used to determine whether changes in the size or management of the fund are necessary. The analysis shall examine the following:
 - (a) Average weekly disbursements;
 - (b) Average weekly cash on hand, first excluding and then including uncashed checks;
 - (c) Ratio of **average** weekly disbursements to cash on hand (and uncashed checks, where appropriate);
 - (d) Peak disbursement periods (if any); and
 - (e) Frequency of **replenishments**.

(3) **Verifications. Financial** verifications are necessary to ensure **compliance** with appropriate regulations and to maintain propriety and integrity in **imprest** fund operations.

(a) In **addition** to the independent review by the Office of Departmental Accounting and Financial Systems Development **or the Field CFO**, the individual authorized to appoint cashiers **or the Field CFO or a designee** shall monitor **imprest** fund operations to ensure that funds advanced are **not excessive** and are commensurate with operating needs. This assurance should be reestablished at least every 6 months. If the **Field CFO or designee finds** that an excessive amount of cash is being maintained or that the need for the fund no longer exists, **he or she** shall take action to have the fund reduced **to a** level equal to operating needs or to have the fund abolished.

(b) At least once each fiscal quarter, unannounced **verifications** of the cash balances in all respective **imprest** funds, including amounts held by **subcashiers**, shall be conducted by qualified persons appointed by the **Field CFO**.

(c) At least once a year, unannounced audits **of fund** operations shall be conducted (records or reports generated from the audits shall be retained **in the imprest** fund files and made available, if requested, to the **CFO or the Office of the Inspector General (IG-1)**), **to verify** that:

1 All funds are properly accounted for.

2 The amount of the fund **is not** in excess of cash requirements,

3 Procedures being followed will adequately protect the funds from loss or misuse,

4 No unauthorized use is being made of the funds, and

5 Appropriate Department of the Treasury and DOE **policies** and procedures **are being** followed.

(4) **Reporting Irregularities and Missing or Lost Funds.** Instances of **irregularities** or missing or lost funds shall be **reported in** accordance with the Department of the Treasury Manual of Procedures and Instructions for Cashiers. At **a minimum**, the individual authorized to appoint cashiers shall be advised of such irregularities.

9. **SPECIAL DEPOSIT FUNDS.** Special **deposit** funds are combined receipt and reimbursement accounts **established to** account for receipts **held in** suspense temporarily and later **refunded or** paid into some other fund of the Government, or held **by the Government as** banker or agent for others and paid out at the direction of the fund **custodian for** purposes authorized by law. Additional guidance for special deposit funds is found in Chapter IX, "**Reimbursable Work, Revenues, and Other Collections.**"

ANNUAL CERTIFICATION DOCUMENT

AGENCY QUESTIONS
SELF-CERTIFICATION
CASH MANAGEMENT PRACTICES

1. On the listed cash flows, have any flows been added, replaced, or combined?

YES

NO

If YES: Submit new cash flow reports and pipelines for these flows.

2. Have any flows been deleted?

YES

NO

If YES: Indicate cash flow number(s) and state reason(s) for deletion:

3. Have any of the listed flows increased or decreased by 25% in dollars or volume?

YES

NO

If YES: Submit new cash flow reports and pipelines for these flows.

SAMPLE

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AGENCY CERTIFICATION
SELF-CERTIFICATION
CASH MANAGEMENT PRACTICES

DEPARTMENT OF ENERGY

I certify that the information contained in this self-certification package is true and accurate to the best of my knowledge.

SIGNATURE OF CASH MANAGEMENT OFFICIAL

PRINT NAME _____

TITLE _____

AGENCY _____

PHONE # _____

DATE _____

SAMPLE

ANNUAL CERTIFICATION DOCUMENTSUMMARY OF TREASURY FINANCIAL MANUAL
CASH MANAGEMENT REQUIREMENTS

The following is a summary of the requirements set forth for Federal agencies in ITFM 5-2000, 6-2000 and 6-8000 on Cash Management. Review these standards when completing the questionnaire on self-certification of your reported cash flows. For further details, please refer to the TFM, or contact your agency's cash management liaison at the Financial Management Service.

CHECKS AND CASH RECEIVED IN COLLECTIONS (ITFM 5-2000)

1. Treasury checks in amounts exceeding \$5,000 are deposited with the nearest Federal Reserve Bank.
2. When depositing at Federal Reserve Banks cash and checks are separated and separate deposit tickets are prepared for each.
3. Agency deposit procedures fully comply with Treasury Financial Manual, Part 5, Chapter 2000, titled Checks and Cash Received in Collections.

CASH ADVANCES (ITFM 6-2000)

1. If cash advances are made, cash management practices of recipient(s) are monitored to ensure that Federal cash is not maintained in excess of immediate disbursing needs.
2. Agency procedures ensure that applicable interest earned on advances of Federal funds by recipient organizations is remitted to the agency.
3. The agency's cash advance procedures fully comply with the Treasury Financial Manual, Part 6, Chapter 2000. (Cash Advances)

BILLINGS AND COLLECTIONS (ITFM 6-8025)

1. Written procedures are established to ensure that billings are issued within 5 business days upon the rendering of goods or services.
2. Agency billing procedures:
 - a. Ensure that bills are issued within **5 business** days of the date goods or services are rendered, unless an organization can demonstrate that it is cost-effective to **allow more** than **5 days** to render a bill:
 - b. Provide **for a** systematic follow-up until collections received:

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- c. Provide for a stated payment due date on the bill which is **no more than 30 days** from the date of the invoice, unless otherwise provided **in law or specific TFM** procedures;
 - d. Require that payment be received no later than due date;
 - e. Specify the payment mechanism to **be used** with related payment terms; and
 - f. Provide for late charges and penalties for payments received after the due date.
3. **The agency's** billings and collections procedures fully comply with the Treasury Financial Manual, **Part 6**, Chapter 8000, Section 8025, titled Billings and Collections.

LATE PAYMENTS (I TFM 6-8025.40 through 8025.701

1. Agency procedures are in place to ensure that late payment charges, when applicable, are collected.
2. A system has been established to accumulate late charges.
3. The agency's late payment procedures fully comply with the Treasury Financial Manual. **Part 6**, Chapter **8000**, Section 8025.40 through 8025.70. (Late Payments) Services.

DEPOSITS (I TFM 6-8030)

1. Agency deposit procedures include provisions for:
 - a. Depositing receipts **of \$1,000 or more** on the same day received **prior to** depository cutoff time, and
 - b. Accumulating collections of less than \$1,000 and depositing when the total reaches \$1,000: however, no later than Friday of each week.
2. If the agency mails deposits to the FRB or a commercial bank, **there is** authorization from Treasury to do so.
3. The agency's deposit procedures fully comply with Treasury Financial Manual, **Part 6**, Chapter 8000, Section 8030, titled Deposits.

DISBURSEMENTS (I TFM 6-8040)

1. Agency payment procedures:
 - a. Ensure control over the timely payment of invoices and the taking of appropriate discounts,

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- b. Provide for processing payments as **close as** administratively possible to the due date but not later than the due date as specified in the invoice, contract, or **OMB** circular **A-125** (Prompt Pay), and
 - c. Automatically take advantage of cost-effective cash discounts as a matter of routine and eliminates any need for special handling.
2. The agency uses an appropriate intergovernmental transfer mechanism for transfers of all funds between agencies.
 3. The agency's disbursements procedures fully comply with the Treasury Financial Manual, **Part 6**, Chapter 8000. Section 8040, titled Disbursement for Goods and Services.

CASH HELD OUTSIDE TREASURY (I TFM 6-8060)

1. The agency makes unannounced verification of the cash balances in **imprest** funds at least once per quarter.
2. Imprest funds are reviewed at least every six months to ensure the funds are commensurate with actual needs and meet the requirements in I TFM 4-3000.
3. All funds in excess of **\$100,000** are **re-authorized by** Treasury annually.
4. All accounts in financial institutions for funds held outside Treasury have Treasury approval .
5. The **agency's** procedures for cash held outside Treasury fully comply with the Treasury Financial Manual. **Part 6**, Chapter 8000, Section 8060. titled Cash Held Outside Treasury.

CASH MANAGEMENT CONTROLS

1. The agency separates money or checks from related accounting documentation to accelerate deposits.
2. Cash **management is** part of the agency's review of financial operations (i.e., internal control reviews).
3. Current cash management policies and operating procedures are clearly stated in writing and systematically organized in manuals, handbooks, or other publications, and communicated **and accessible** throughout the Agency.
4. The **agency's** cash management policies and operating procedures are periodically reviewed by a responsible official .

ANNUAL CERTIFICATION DOCUMENT

5. Key duties are separated so that no single individual can control a transaction from beginning to end.
6. The **agency's** financial managers are provided with **periodi** c cash management training.

DETERMINATION OF COST-EFFECTIVE DISCOUNTS

1. Take a discount only when the discount rate **offered is** equal to or greater than the Department of the Treasury current value of funds rate. The following conversion formula should be used to convert discount terms to the effective annual interest rate, which will be used as a comparison factor against the current value of funds rate:

Conversion Formula

$$\frac{\text{Discount \%}}{100\% - \text{discount \%}} \times \frac{\text{Days in year (365*)}}{\text{No. of days from discount date to due date}} = \text{Effective annual interest rate}$$

Example:

Discount terms: 1/2% (0.005) in 10 days, net 30 days

$$\frac{0.005}{(1.000 - 0.005)} \times \frac{365^*}{(30 - 10)} = 0.09, \text{ or } 9\%$$

Conclusion: If the current value of funds rate is 9% or less, the offered discount should be taken.

2. The following listing of the more commonly offered discount terms with their corresponding effective annual interest rate conversions may be used as a ready reference guide:

<u>Discount terms</u>	<u>Effective annual rate</u>	<u>Discount terms</u>	<u>Effective annual rate</u>
2/20 net 30	74.5	0.8/10 net 30	14.7
2/10 net 30	37.2	0.7/10 net 30	12.9
1/20 net 30	36.9	0.6/10 net 30	11.0
0.75/10 net 30	13.8	0.55/10 net 30	10.1
1/10 net 30	18.4	0.5/10 net 30	9.2
0.5/20 net 30	18.3	0.2/20 net 30	7.3
0.9/10 net 30	16.6	0.1/20 net 30	3.7
0.85/10 net 30	15.6	0.1/10 net 30	1.8

*In a Leap year, use 366 days.



INTEREST PENALTY ASSESSMENT MEMORANDUM

Confirmation of Interest Penalty Assessed

(Official authorized to approve program release documents)

In accordance with the interest penalty provisions of DOE 2200.6A, FINANCIAL ACCOUNTING, an interest penalty has been assessed in relation to a contract bearing a funds citation for which you are authorized to approve program release documents.

Pertinent details areas follows:

- 1. Accounting classification charged (also show budget and reporting code and fund type): 89 20212.91
- 2. Amount of interest penalty charges: \$1.50
- 3. Date interest penalty charged: 12-31-83
- 4. Interest rate: 15.5%
- 5. Days late 17
- 6. Contract Identification No.: DE-AC-01-82-NE-32097
- 7. Contractor: A. Voice, Inc.
- 8. Invoice or Bill No.: 3982 R C0702.000
- 9. Reason for delay: Missplaced invoice

SAMPLE

Elwood Shannon
Finance and Accounting Officer



DETERMINATION OF INTEREST PENALTY ON A PROPER INVOICE PAID LATE

Terms: \$10,000, due in 30 days

Facts: paid on the 60th day after receipt

Days of interest penalty: 30 (includes 15 days' grace, which was lost)

Interest computation:

$$\$10,000 \times 15.5\% \times \frac{30}{365^*} = \$127.40 \text{ interest penalty}$$

*In a leap year, use 366.



DETERMINATION OF INTEREST PENALTY WHEN AN IMPROPER DISCOUNT HAS BEEN TAKEN

Terms: \$10,000, 2/10 net 30:

Facts: Discount of \$200 taken on the 12th day, which was 2 days past discount period.
The discount was paid to business concern on the 30th day after discount period expired.

Days of interest penalty: 30 (includes 15 days' grace, which was lost)

Interest computation:

$$\$200 \times 15.5 \times \frac{30}{365} = \$2.55 \text{ interest penalty}$$

Payment to vendor:

\$200.00 Improper discount
+2.55 Interest penalty
\$202.55 Payment to vendor

*In a Leap year, use 366.



DETERMINATION OF INTEREST PENALTY ON AN IMPROPER INVOICE RETURNED LATE TO VENDOR

Terms: \$10,000, due in 30 days

Facts: Returned to vendor on the 18th day after receipt, which was 3 days past the 15-day grace period. thereby reducing the due date to 27 days. Paid on the 50th day after receipt.

Days of interest penalty: 23 (computed from the 27th day to the 50th day)

Interest computation:

$$\$10,000 \times 15.5\% \times \frac{23}{365^*} = \$97.67 \text{ interest penalty}$$

● In a leap year, use 366.



SCHEDULE OF FINANCIAL INSTITUTION PROCESSING CHARGES

Contractor: _____

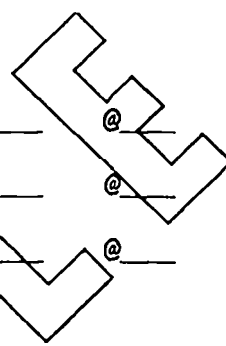
Financial Institution: _____

Account Activity

	Contractor's Projected Monthly Quantity	Per Item Cost	J-
1. Number of Checks Debited (Volume Discount if Applicable)	_____	@_____	\$_____
2. Stop Payment Orders	_____	@_____	\$_____
3. Account Maintenance	_____	@_____	\$_____
4. Deposits:			
a. Number of Deposit Tickets	_____	@_____	\$_____
b. Number of Local Items	_____	@_____	\$_____
c. Number of Out-of-Town Items	_____	@_____	\$_____
5. Reconciliation Services:			
a. Tapes Supplied	_____	@_____	\$_____
b. Check Sorting	_____	@_____	\$_____
6. Special Statement Services	_____	@_____	\$_____

SAMPLE

7. Other Services (Explained Below)



\$ _____
\$ _____
\$ _____

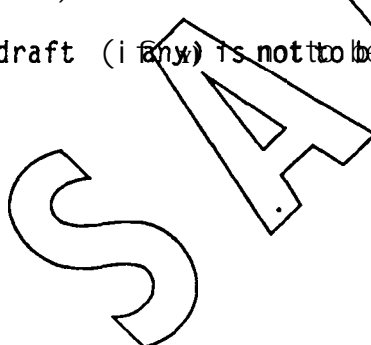
8. Total Measured Monthly Service Charges (Combined Lines 1 through 7). This is the amount to be used when the direct payment method is utilized.

\$ _____

9. Annually Projected Service Charges. Multiply total measured monthly service charges by 12, and enter the result. (Transfer to Calculation of Time Account Balance Required form (he 1) if the time account balance method is utilized.)

\$ _____

Cost of overdraft (if any) is not to be included on this schedule.



CALCULATION OF TIME ACCOUNT BALANCE REQUIRED

Contractor: _____

Financial Institution: _____

- 1. Institution's Annual Service Charge To Be Earned \$ _____
- 2. Previous Month's Average Treasury Tax and Loan Interest Rate: _____%
- 3. Divide the amount on line 1 by the rate percentage shown on Line 2 to determine unadjusted time deposit required to earn the annual service charge \$ _____
- 4. Adjustment for Reserve Requirement
 - a. Federal Reserve Rate on Time Deposit: _____%
 - b. 100% Minus Rate in 4a above _____%
- 5. Adjusted Time deposit balance required to earn annual service charge (divide the amount on line 3 by the rate on line 4b) \$ _____

SAMPLE

Quarterly adjustments to the non-interest-bearing time account shall be based on prior quarter statistics, changes in reserve requirements, and the interest rate provided by the cognizant Department of Energy office.

SAMPLE

Signature

Name (Corporate Seal)

Date of Proposal

Telephone Number

SAMPLE SOLICITATION LETTER

Dear Sir or Madam:

The Department of Energy is currently soliciting bids from interested **financial institutions** to provide services for **the [contractor's name]** account under the checks-paid method of **letter of credit** financing.

The letter of credit is a funding method utilized by the Federal Government for **financing** grants, contracts, and other programs. The checks-paid letter of credit **is a modification** of the letter of credit whereby the contractor issues checks for program costs. When the checks are cleared **by the financial** institution, the institution draws on the account represented by the letter of credit at the Federal Reserve district or branch bank. The amount of the **drawdown should be** sufficient to maintain the account balance as **close to** zero as administratively possible.

The institution **will** be compensated by fee or by a non-interest-bearing time deposit sufficient to generate earnings to cover the cost of servicing the account.

Enclosed is a proposal package that provides your institution with information and forms to be used in submitting a proposal. The following documents are contained in the proposal and information package:

1. The figure entitled "**Technical** Representations and Certifications,"
2. The worksheet entitled "**Schedule** of Financial Institution Processing Charges,"
3. The worksheet entitled "**Calculation** of Time Account Balance Required."
4. **A sample** agreement, and
5. The document entitled "**Financial Institution's** Information on the Checks-Paid Letter of Credit."

To receive same-day credit from the Federal Reserve, the financial institution can ascertain the amount of checks received for payment and **submit a** payment voucher to the Federal Reserve **district or** branch bank **by** ___ p.m.

The financial institution has the ability **to make** all transactions directly with the Federal Reserve **district or** branch **bank without** going through its head office, if applicable. Yes ()/No (). If no, explain. _____

If your institution is interested in providing the financial services required under the checks-paid letter of credit, a bid must be resubmitted to the following address by not later than [deadline date].

[DOE mailing address]

The completed bid must be submitted in writing, using materials 1, 2, and 3 described above. Incomplete bids or bids received after the deadline date of [deadline date] will not be considered. Your institution will receive notification of the final decision by letter within 30 days of the close of the bidding period.

Additional questions pertaining to the proposal packages should be directed to [DOE official] on [official telephone number].

Sincerely,

Enclosures

SAMPLE

TECHNICAL REPRESENTATIONS AND CERTIFICATIONS

The financial institution makes the following technical representations and certifications as part of its bid to the Department of Energy to service a checks-paid letter of credit. (Check parentheses and complete blanks, as appropriate. All information is necessary.)

1. Financial Institution Fiscal Information

- a. The financial institution is a national chartered financial institution State chartered financial institution organized and existing in the State of _____.
- b. The financial institution maintains does not maintain an account with Federal Reserve district or branch bank.
- c. The current Federal State time deposit reserve requirement for the financial institution is: _____%.
- d. The financial institution insures each time account for \$100,000 under federal ly approved deposit insurance. Yes No. Deposits are insured by a Government deposit insurance organization approved by the Department of the Treasury (a list of approved insurance organizations is attached to this form). If no, explain: _____

- e. The financial institution corresponds directly indirectly with the Federal Reserve district or branch bank. If indirectly, Federal Reserve transactions are cleared through the following correspondent financial institution(s): _____

- f. To receive same-day credit from the Federal Reserve, the financial institution can ascertain the amount of checks received for payment and submit a payment voucher to the Federal Reserve district or branch bank by _____ o'cl ock p. m.
- g. The financial institution has the ability to make al l transactions directly with the Federal Reserve district or branch bank without going through its head office, if applicable. Yes No. If no, explain: _____

2. Minority Business Enterprises

Does the financial institution operate as a minority or women-owned business enterprise with at least 50-percent ownership by minority group or women members? () Yes () No. (For present purposes, minority group members are Negroes, Spanish-speaking Americans, American-Oriental s, American-Indians, American-Eskimos, and American-Aleuts.)

3. Technical

a. Does the financial institution currently service and reconcile an account with a check volume equal to or exceeding the anticipated volume required by the contractors stated in the "Schedule of Financial Institution Processing Charges"?

Service: () Yes () No. Reconciliation: () Yes () No.

b. What is the highest number of checks serviced and reconciled for a single account?

Service: _____ Reconciliation: _____

Government Deposit Insurance Organizations
Approved by the Department of the Treasury

(Insured up to \$100,000)

Maryland Credit Union Insurance Corporation

Mutual Savings Central Fund, Inc. (Massachusetts)

Financial Institutions Assurance Corporation (formerly, North Carolina Savings Guaranty Corporation)

State of North Dakota (**limited to insuring the** Bank of North Dakota)

Cooperative Central Bank (Massachusetts)

Federal Deposit Insurance Corporation

Federal Savings and Loan Insurance Corporation

National Credit Union Administration

Texas Share Guaranty Credit Union

Tennessee State Credit Union Share Insurance Corporation



**SPECIAL ACCOUNT AGREEMENT FOR USE WITH THE
CHECKS-PAID METHOD OF LETTER-OF-CREDIT FINANCING**

Agreement entered into this, ___ day of _____, 19___, between the UNITED STATES OF AMERICA, represented by the Department of Energy (hereinafter referred to as "DOE"), and _____, a corporation/legal entity existing under the laws of the State of _____ (hereinafter referred to as the Contractor) and _____, a financial institution corporation existing under the laws of the State of _____, located at _____ (hereinafter referred to as the Institution).

RECITALS

(a) On the effective date of _____ 19___, DOE and the Contractor entered into Agreement(s) No. _____, or a Supplement Agreement(s) thereto, providing for an advance of funds by a letter of credit. Copy of such advance provisions has been furnished to the Institution.

(b) DOE requires that amounts advanced to the Contractor thereunder be deposited in a special demand deposit account at a financial institution covered by Department of the Treasury-approved Government deposit insurance organizations that are identified in ITFM 6-9000 (see Fig. IX-10).

These special demand deposits must be kept separate from the Contractor's general or other funds and the parties are agreeable to so depositing said amounts with the Institution.

(c) The special demand deposit account shall be designated [name of Contractor] _____ . [account title] _____ Account."

COVENANTS

In consideration of the foregoing, and for other good and valuable considerations, it is agreed that:

(1) The Government shall have a title to the credit balance in said account to secure the repayment of all advance payments made to the Contractor, and said title shall be superior to any lien, title or claim of the Institution with respect to such accounts.

(2) The Institution shall be bound by the provisions of said Agreement(s) between DOE and the Contractor relating to the deposit and withdrawal of funds in the above special demand deposit account, which are hereby incorporated into this Agreement by reference, but the Institution shall not be responsible for the application of funds withdrawn from said account. After receipt by the Institution directions from DOE, the Institution shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions. Any written directions received by the Institution from the Government upon DOE stationery and purporting to be signed by, or signed at the written direction of, the Government

may, insofar as the rights, duties, and liabilities of the Institution are concerned, be **considered as** having been properly issued and **filed with** the Institution by DOE.

(3) DOE, or **its authorized representatives**, shall have access to the books and records **maintained by** the Institution with respect to such special demand deposit account at all reasonable times and for all reasonable purposes, including, **but without limitation to**, the **inspection or** copying of such books and records **and any** or all memoranda, checks, correspondence, or documents pertaining thereto. Such books and records shall be preserved by the Institution for a period of **6 years after** the final payment under the Agreement.

(4) In the event of the service of any writ of attachment, **levy of execution, or** commencement of garnishment proceedings with respect to the **special demand deposit** account, the Institution shall promptly notify DOE at—

[Name of office]
[Street address]
[City]
[State and ZIP Code]

(5) DOE shall issue a letter of credit that is irrevocable to the extent that obligations have been incurred in good faith thereunder by the Contractor to the Institution for the benefit of the special demand deposit account. The Institution agrees to honor upon presentation for payment all checks issued by the Contractor and to restrict all Letter of Credit withdrawals to an amount sufficient to maintain the account balance as close to zero as administratively possible each day.

If documentation furnished by the Institution demonstrates that this withdrawal procedure would be inequitable to DOE or to the Institution, Covenant 5 may be modified upon agreement of all parties concerned. The Institution shall comply with the provisions contained in ITPM 6-2000, which states that payment vouchers (TFS form 5401) ordinarily should not be drawn more frequently than daily or for amounts less than \$5,000, and in no case should they be drawn for more than \$5,000,000 unless so stated in the Letter of Credit. In the event that the balance remaining in the letter of credit limitation is not sufficient to cover the checks presented, the Department of the Treasury will, at the specific authorization of DOE, instruct the Federal Reserve Bank to immediately wire a transfer of funds from the Department of the Treasury account to the Institution's account, for the benefit of the Contractor's Special Demand Deposit Account, in an amount sufficient to cover the check presented in excess of the available Letter of Credit balance. The Institution agrees to service the account in this manner based on the requirements and specifications contained in the DOE solicitation No. —, dated _____, 19—, in consideration of the placement by DOE of a non-interest-bearing time deposit with the Institution in an amount agreed upon as shown on the form "Calculation of Time Account Balance Required" contained in the Institution's bid dated — * 19—. The Institution agrees that per item costs, detailed in the form "Schedule of Bank Processing Charges," contained in the Institution's aforesaid bid will remain constant during the term of this Agreement. The Contractor shall withdraw \$_____ in funds from the special demand deposit account and use such funds to make a non-interest-bearing time deposit in a separate account in the Institution. This account will hereinafter be redefined as the time deposit account. The funds in the time deposit account will remain on deposit and shall not be withdrawn or used for any purpose

without the authorization of DOE. The amount of the deposit may be adjusted upward or downward, but only with the approval of DOE.

(6) The Institution shall post collateral, acceptable under Department of the Treasury Department Circular 176, with the Federal Reserve Bank in an amount equal to the Federal funds deposited in all of the accounts included in this Agreement, less the Department of the Treasury-approved deposit insurance.

(7) This Agreement, with all its provisions and covenants, shall be in effect for a term of - years, beginning on the day of ____, 19-, and ending on the - day of ____, 19-.

(8) DOE, the Contractor, or the Institution may terminate this Agreement at any time within the agreement period upon submitting written notification to the other parties 90 days prior to the desired termination date. The specific provisions of operating the account during this 90-day period are contained in Covenant 11.

(9) DOE or the Contractor may terminate this Agreement at any time upon 30 days' notice to the Institution if DOE or the Contractor, or both parties, find that the Institution has failed to substantially perform its obligations under this Agreement or that the Institution is performing its obligations in a manner that precludes administering the program in an effective and efficient manner.

(10) Notwithstanding the provisions of Covenants 8 and 9 and in the event that the Agreement, referenced in Recital a, between DOE and the Contractor is not renewed or is terminated, this Agreement between DOE, the Contractor, and the Institution shall be terminated automatically upon the delivery of written notice to the Institution.

(11) In the event of termination, the Institution agrees to retain the Contractor's special demand deposit account for an additional 90-day period to allow for clearance of outstanding checks. During this 90-day period, DOE shall place on deposit in that account sufficient funds to cover all outstanding checks presented for payment. Within 7 days of the expiration of the Agreement term, an analysis of the special demand deposit account shall be made by DOE to determine whether an insufficient or excessive balance was maintained in the deposit account to compensate the Institution for services rendered up to the expiration date.

(a) If the analysis indicates that the Institution has been insufficiently compensated for services rendered up to the expiration of the Agreement, the Contractor shall:

- 1 Maintain on deposit, during this 90-day period, sufficient Federal funds to reimburse the Institution for prior cumulative loss of earnings and
- 2 Maintain on deposit in the time deposit account sufficient Federal funds to compensate the Institution for services rendered during the 90-day period.

(b) If the analysis indicates that the Institution has been overcompensated for services rendered up to the expiration of the Agreement, DOE shall close out the time deposit account and secure from the Institution a check in amount

equal to the net **cumulative profit (profit minus compensation for services rendered during the 90-day period).**

- (c) If **cumulative profit is** not sufficient to compensate the Institution for services rendered during the **90-day** period, adjustments shall be made to the time deposit account to compensate the Institution for the difference between the cost of services rendered during the **90-day** period and the cumulative profit.

During the entire **90-day** period, It is further understood that:

- (a) The Institution shall maintain collateral **in an amount sufficient to collateralize the highest** balance in the account, less Federal Deposit Insurance Corporation **coverage on** the accounts.
- (b) All service charges shall be **consistent with the amounts reflected in this Agreement.**
- (c) All terms and **conditions of the aforesaid** submitted by the Institution that are not inconsistent with this **90-day period** shall remain in effect.
- (d) This Agreement shall **continue in effect, with exception of** the following:
- 1 Letter of Credit (Covenant 5).
 - 2 The term of this Agreement (Covenant 7)
 - 3 Termination of Agreement (Covenants 8 and 9)

The Institution has submitted the forms entitled "Technical Representations and Certifications," "Schedule of Financial Institution Charges,*" and "Calculation of Time Account Balance Required." These forms have been accepted by the Contractor and the Government and are incorporated herein with the document entitled "Financial Institution's Information on the Checks-Paid Letter of Credit," as an integral part of this Agreement.

IN WITNESS WHEREOF the **parties** hereto have caused this Agreement, which **consists of** _____ pages, including the signature pages, to be executed as of the day **and year first** above written.

THE UNITED STATES OF AMERICA

By _____
(Typed Name of Contracting Officer)

(Signature of Contracting Officer)

(Date of Signature)

WITNESS

(Typed Name of Witness)

(Signature of Witness)

Note: In the case of a corporation, a witness is not required. Type or print names under all **signatures**.

(Typed Name of Contractor)

By _____
(Typed Name of Representative)

(Signature of Contractor's Representative)

(Title)

(Address)

(Date of Signature)

WITNESS

(Typed Name of Witness)

(Signature of Witness)

Note: In the case of a corporation, a witness is not required. Type or print names under all **signatures**.

By _____
(Typed Name of Financial Institution Representative)

(Signature of Financial Institution Representative)

(Title)

(Address)

(Date of Signature)



FINANCIAL INSTITUTION'S INFORMATION ON
THE CHECKS-PAID LETTER OF CREDIT

1. GENERAL INFORMATION.

The checks-paid letter of credit is a sophisticated technique used by the Federal Government to provide payment to a contractor who is performing services or providing goods to the Department of Energy (DOE). Under this method, the contractor issues checks for program purposes. When these checks are presented to the servicing financial institution for payment, the checks are totaled and the financial institution draws funds from the servicing Federal Reserve district branch bank. The financial institution is compensated for services performed in the form of either a non-interest-bearing time deposit or a direct payment for services rendered. Information necessary to bid for and operate such an account and to establish the reporting requirements the financial institution must meet are provided below.

2. BIDDING INFORMATION.

- a. Upon receipt of the solicitation from DOE, the financial institution representative should review the package to ensure that all material listed in the covering letter has been included. If anything is missing, the financial institution representative should contact the DOE representative named in the letter to obtain the missing material. If all material is present, the financial institution representative should review the bidding procedures, the operating procedures, the reporting requirements, and the sample agreement. Questions should be clarified by contacting the designated DOE representative.
- b. Once the procedures and requirements are understood and the financial institution's management decides to submit a proposal, the procedures should be followed:
- (1) Check or complete all responses contained in the "Technical Representations and Certifications" form.
 - (2) Complete the "Schedule of Financial Institution Processing Charges" form.
 - (3) Complete the "Calculation of Time Account Balance Required" form if DOE representative that has advised the financial institution will be compensated by a non-interest bearing time deposit.
 - (4) Ensure that all required information has been provided before forwarding the completed forms to the designated DOE representative. These forms constitute the financial institution's formal proposal to DOE. Incomplete proposals will not be reconsidered.

- (5) Forward the completed proposal with a **cover letter** to the **DOE representative** at the address provided. Proposal not received by the date established for submission will not be reconsidered.
- c. Bidders will be notified by letter of the institution selected **within 30** calendar days after the close of the **bidding** period.
- d. The selected **institution** will meet **with** the designated DOE representative to clarify any operational questions and to sign the contractual agreement and required corporate certificates for both the contractor and the **financial institution**. The agreement term will **be determined by** the DOE representative, but normally **is for a** period of not less than **2 years** and **not more than 5** years. **Specific** termination provisions are contained in the agreement for termination before the date specified in the agreement.

3. OPERATING REQUIREMENTS.

The institution will total the checks presented daily for collection **against** the special account **as provided** for in the agreement and draw funds from the Federal Reserve **district or** branch bank servicing the letter of credit. The amount of the drawdown should be sufficient to maintain the account balance as close to **zero as** administratively possible. Normally, the amount of the **drawdown** will be the total of the checks cleared net of the contractor's miscellaneous deposits **made by** the **institution's cutoff time**. The institution must determine the cutoff time for processing checks and **deposits** to ensure same day credit. The drawdown is effected either by presenting a properly completed TFS Form 54010 "**Payment Voucher on Letter of Credit.**" to the servicing FRB or by notifying the servicing FRB by telephone or wire of the amount. The specific procedures for both of these methods are detailed below.

- a. When the **financial institution** is located in or near the servicing Federal Reserve city and can forward TFS Form 54010 "**Payment Voucher on Letter of Credit,**" before the FRB cutoff time for same-day payment, the following procedures will be adhered to:
- (1) The DOE finance office will provide the financial institution with a **partially completed SF-1194, "Authorized Signature Card for Payment Voucher on Letter of Credit."** The institution will complete the form **with** typed names and the signatures of the individuals being authorized to sign or countersign the TFS form 5401. Place **a check in** the block entitled, "Any Two Signatures Required **to Sign** or Countersign." The **signature in** the lower left-hand corner of the **SF-1194** should be that of **an institution** official empowered to make such designations.
 - (2) The DOE finance office will provide **a supply of TFS form 5401** to the financial institution. The **TFS form 5401 is** the instrument to be used to receive reimbursement for checks cleared each day. The institution must deliver this document to the servicing **FRB** in time to receive same-day **credit in** their reserve account. The financial institution must determine its own cutoff time for processing recipient checks to assure same-day credit. Checks received after the cutoff time must be reprocessed the next day.

- (3) If the financial institution does not maintain an account with an FRB, arrangements must be made for the funds to be retransferred from the servicing FRB to the financial institution through its correspondent. It is the financial institution's responsibility to coordinate the proper crediting of its account through its correspondent relationship.
- b. When the financial institution is located outside the servicing Federal Reserve city and cannot forward the payment voucher before the FRB cutoff time for same day payment, the institution will be allowed to facilitate the funds transfer by telephonic or wire message. The following procedures will be adhered to:
- (1) The financial institution will provide the DOE office with the name and telephone number of an individual in the institution. This individual will be contacted by the servicing FRB to assist the FRB in establishing the necessary controls over the telephonic or wire transfer of funds.
 - (2) The financial institution will establish a cutoff time for processing checks to assure same day credit.
 - (3) If the financial institution does not maintain an account with an FRB, arrangements must be made for the funds to be retransferred from the servicing FRB to the financial institution through its correspondent. It is the institution's responsibility to coordinate the proper crediting of its account through its correspondent relationship. **NOTE:** Under the telephonic or wire method, the financial institution does not have to prepare the TFS Form 5401, "Payment Voucher on Letter of Credit."
- c. If the financial institution providing these services is a branch of a parent institution, the drawdown on the letter of credit and subsequent transfer of funds from the servicing FRB must be accomplished on the same day as the funds are requested.

4. COMPENSATION AND COLLATERALIZATION.

When the financial institution is to be compensated in the form of a non-interest-bearing time deposit, that deposit will be made by the contractor drawing the amount of funds from the letter of credit. The institution will place those funds in a separate non-interest-bearing time account as set forth in the agreement. This account must be identified as being Federal funds. If the amount of the non-interest-bearing time deposit exceeds the level of Department of the Treasury-approved deposit insurance coverage, the institution must collateralize the amount that exceeds the insurance coverage. The collateral will be posted with the FRB in accordance with Department of the Treasury Circular 176. The institution will be paid directly by the recipient if the direct payment method is used.

5. PENALTIES ON EXCESS FUNDS.

If the calculated average daily balance for the month results in a positive account balance and the financial institution had no control over the positive balance, the financial institution will compensate DOE for the loss of the availability of funds

by multiplying the average daily balance **for the month by** the Treasury Tax and Loan Funds Rate **divided by** 12. If the financial Institution caused the **positive** account balance, it shall pay **a penalty determined** by multiplying the excess fund balance by the Federal Funds Rate adjusted for the proper **period of time**. Penalties will be remitted to the cognizant DOE **finance** office.

6. REPORTING REQUIREMENTS.

- a. The financial Institution will send **a copy of** TFS Form 5401, "**Payment Voucher** on Letter of Credit." to the administering DOE Field Element Chief Financial Officer each time **a payment** voucher is **presented to** the FRB for payment. The financial institution will also send the contractor **a copy of** the payment voucher, supported by a listing of checks paid. **If the drawdown** is effected by the telephonic or wire method, **the institution** will send a **listing of** the checks paid to the contractor.
- b. The financial Institution will provide the contractor with a bank statement and an account analysis monthly. The account analysis will include the data **necessary** for the DOE finance office to determine that the costs of the services are commensurate with the level of compensation **being provided to** the financial institution.

NOTE-The contractor, **if a corporation**, shall cause the following Certificate **to be** executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, _____, certify that I am the _____ of **the corporation** named as Contractor herein; that _____ who signed this Agreement on behalf of the Contractor, was then _____ of said **corporation; and that said Agreement was duly signed for** in behalf **of said** corporation by authority of **its governing body and is within the** scope of its corporate powers.

(Signature) (Corporate Seal)

NOTE-Financial **Institution, if a corporation, should** cause the following Certificate to be executed under **its corporate seal, provided that the same** officer shall not **execute both the Agreement and Certificate.**

CERTIFICATE

I, _____, certify that I am the _____ of **the** corporation named as Institution herein; that _____ who signed **this** Agreement on behalf of the **Institution, was then** _____ of said **corporation; and that said Agreement was duly signed for and in behal** fof said corporation by authority of **ts governing body and is within the** scope of its corporate powers.

(Signature) (Corporate Seal)



DETERMINING THE SAMPLE SIZE FOR QUALITY CONTROL REVIEWS
(90% Confidence, + or - 10%)

The following table will be used to calculate the sample size when conducting a quality control review. The sample size is based on the number of payments made during the fiscal year, or period under review, that were subject to the Prompt Payment Act.

<u>Transaction in Universe</u>	<u>Minimum Required Sample Size</u>
5,000 or more	300
1,600-5,000	275
1,000-1,600	250
600-1,000	225
400-600	200
300-400	175
200-300	150
150-200	125
100-150	100
Less than 100	All



CHECKLIST FOR PERFORMING QUALITY CONTROL REVIEWS

1. Verify that the **payment is** subject to Prompt payment Act. (Refer to **OMB Circular A-125** (Revised, PROMPT PAYMENT, ATTACHMENT, **para. 2, pg 3.**)
2. Verify that **the invoice** was date stamped **as received**, otherwise **use date of invoice in determining** payment due date.
3. Verify that **the invoice is** proper **invoice** (See **A-125**, Attachment, **para. 11, pg. 2** and **para. 5b and 5d, pg 10**), if not, verify that invoice was date stamped when correction was made and that vendor was **notified** within the **required timeframe**.
4. Verify that the reviewer determined payment due date matches that due date entered into the system. (See **A-125**, Attachment, **para. 4e thru 4j, pg 6.**)
5. Review documentation to assure that property or services were delivered and accepted.
6. **Review Treasury** accomplished pay schedule to verify that payment was made by the due date, and when not made **by the** due date, interest penalties were **paid in** accordance with the Act. (See **A-125**, Attachment, **para. 4k, pg 8.**)
7. Verify that the proper Interest rate was used **in** calculating interest penalties. (See **A-125**, Attachment, **para. 7a, pg 12.**)
8. **Verify that any discount** taken was based on payment **within the** discount period, that is, the period from the date of the invoice as dated by the contractor to the end of the discount period. (See **A-125**, Attachment, **para. 1j, pg 2 and para. 4i, pg 8.**)
9. Ascertain that interest penalties and economically advantageous purchase **discounts** lost are charged to the same object class and budget and reporting classification used **for the original** contractor purchase order.
10. Ascertain that all early payments approved by the CFO or Head of the Field Element or designee are separately accounted for and that approval thereof is in writing.
11. Verify the **legitimacy of** all discounts not taken because they were noneconomically advantageous.



CHAPTER II

ADVANCES, PREPAID EXPENSES, AND OTHER ASSETS

1. INTRODUCTION.

- a. Purpose. This chapter prescribes **the policies** and general procedures for the accounting treatment of advances to others, prepayments, deposits, and acquired collateral. Financing of integrated contractors **is further discussed in DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING, Chapter I, "Accounting Systems and Organization,"** and disbursement procedures **are discussed in Chapter I, "Cash."** Advances for work to be performed for others are covered in Chapter IX, "Reimbursable Work, Revenues, and Other Collections."
- b. Applicability. The applicability of this chapter **is specified in DOE 2200.4, ACCOUNTING OVERVIEW, Chapter I, "Introduction,"** paragraph.
- c. Implementation.

(1) Advances.

- (a) Each advance shall be promptly recorded as an asset.
- (b) The advances shall be **limited** to the minimum amounts necessary for immediate disbursement needs and shall be timed to be in accord with the actual immediate cash **requirements of the recipient 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** for direct program costs and the proportionate share of any allowable indirect costs.
- (c) When the recipient is funded by **a letter of credit,** it should not have on hand more than **3 days' cash or \$10,000,** whichever **is** greater. However, to avoid frequent requests for small advances, advances should normally be not less than \$5,000. If, at anytime, **the recipient** has an excessive cash balance, the recipient shall be **required to** return the excess advance.
- (d) Advances shall be monitored **on a continuous basis.** Cost reports or other documented **evidence** that goods **or services** have been **received** shall be the **basis for relieving** the advance account. Cost reports shall also be used **in order to determine** the following:
 - 1 That the recipient **is** using the advance **in accordance with** the terms of the agreement.

2 That the recipient is making **drawdowns** as close to actual disbursements as **is administratively feasible**.

(e) The recipient shall **be required** to return any unused advance either when the contract or other agreement expires **or when** the work is completed.

(f) Excess advances shall be reclassified as accounts receivable **and be** subject to debt collection procedures as specified in Chapter III, "Receivables."

(2) **Prepayments**. Prepayments shall be recorded as prepaid expenses and expensed over the period to which they apply.

(3) **Deposits**. A deposit shall be **recorded as** an asset at the time the payment **is made**.

(4) **Collateral Funds**. 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 provisions of the insurance plan or other trust agreement requiring the establishment of such a fund.

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 expenditures. Common examples are travel advances or advances to contractors that are made in contemplation of future receipt of **goods**, services, inventory, or fixed assets. These amounts are **recorded as** assets until the related expenses have been incurred or until contract terms are met or goods or services are received. The appropriate accounts, codes, and accounting entries for recording advances are contained in DOE **2200.10A**, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.

a. **Advances to Other Federal Agencies**. The Economy Act (31 U.S.C. 1536) provides the authority for making cash payments in advance to other Federal agencies for work performed under the authority of the Economy Act. Even though advance payments are permissible under the Economy Act, it is **DOE's** policy not to make advances to other Federal agencies except when required by law or provisions of an interagency agreement. Agencies with revolving funds or Department of the Treasury approved consolidated working funds are examples of instances where cash advances may be required. Transfer appropriations may also be **used to** fund work performed by other Federal agencies. Transfer appropriations are not accounted **for as** advances. Accounting for transfer appropriations is covered in **DOE 2200.5B**, FUND ACCOUNTING, Chapter 11, "Accounting for Appropriations." Additional information is also contained in DOE 5100.140 ALLOTMENT AND APPROVED FUNDING PROGRAM PROCESS, of 9-17-86.

(1) **Advance Payment Methods**. Three methods **are available** for making advances to other Federal agencies: Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits"; **SF-1166 OCR**, "Voucher and Schedule of Payments"; and the Online Payment and Collection System. These methods are described in detail in Chapter I, "Cash."

(2) **Monitoring and Controlling Advances.**

(a) **Cost Accruals.** When monthly cost reports are **received on** a regular basis, reduce the advance account and charge the operating expense account for the cost of the work performed. If monthly cost reports cannot be reobtained from the other Federal agency, estimate the cost of work performed during the month, charge this cost **to the appropriate** operating expense account, and credit the appropriate **liabilities** account. When the cost report is received, charge the liability account and reduce the advance account. This procedure **must be followed** to avoid undue **lags in recording** the costs of work performed under funds advanced to other Federal agencies.

(b) **Recovery of Uncosted Advances.** Review the balances of the advance account periodically, but not less frequently than quarterly. If any uncosted portions remain with other agencies **and will not be used in** the future, they must be returned promptly to DOE.

b. **Advances to Contractors and Financial Assistance Recipients.** This paragraph prescribes the procedures to be followed for all cash **advances** made under DOE programs, including **advances to** State and Local Governments, educational Institutions, International **organizations**, and other **public** or private organizations. Coverage **applies** to any program requiring advance payments to finance **the recipient's** activities in carrying out that program, **whether by** contract, grant, contributions, or another form of agreement. Advance payments on procurement contracts are also subject to the provisions of the Federal Acquisition Regulation, Subpart 32.4, "**Advance Payments**" (48 CFR 1-32.4), as supplemented **or modified** by DOE Acquisition Regulation (DEAR) Subpart 932.4, "**Advance Payments**" (48 CFR 932.4) and DEAR Subpart 970.32, "**Contract Financing**" (48 CFR 970.32). Additional Information may also be found **in volume I**, part 6-20000 of the Treasury **Financial Manual** (I TFM 6-2000); DOE Financial Assistance Rules (**10 CFR 600**); and Office of Management and Budget (OMB) Circulars **A-102** and **A-110**. (Refer to Chapter I. "**Cash,**" and I TFM 6-2000 for **information on** advance payment methods.)

(1) **Amounts of Advances.** An advance shall be limited to the minimum amount needed and timed to be in accord with actual and immediate cash requirements needed to carry out the purpose of the approved program or project. The timing and amount of the cash advance shall **be as close as is administratively feasible to** actual disbursement for direct program costs and for the proportionate share of any allowable indirect costs. An advance may be made for accrued expenditures, but only to the extent **that it** represents immediate disbursement needs. Predetermined advance payment schedules or percentage advances are not used in making payments; however, when the total amount of the award is less than **\$10,000** and the anticipated period of performance is 12 months or less, a single payment may be made in advance of performance.

(2) Advance Payment Methods.

- (a) Direct Department of the Treasury Disbursement. When the aggregate annual amount of advances is less than \$120,000, or more than \$120,000 **but there is not a continuing** relationship between DOE and the recipient for **at least 1 year**, the advances shall **ordinarily be** made only in amounts necessary to meet immediate disbursement needs for program purposes. The advances shall be scheduled so that the funds are available only immediately before their disbursement by the **recipient** organization. When disbursements are made by the recipient organization on monthly, biweekly, or any other regular cycle and the amounts involved so warrant, the disbursement from the Department of the Treasury shall be similarly timed.
- (b) of Credit. The letter of credit shall be the financing method used whenever **there is** a continuing relationship between DOE and a recipient organization for at least 1 year involving annual advances **aggregating at least \$120,000**. A **letter** of credit provides the **recipient with mechanics specifically designed to obtain** cash from the Department of the Treasury promptly and with such frequency as maybe necessary, based upon the recipient's own determinations of when and how much **is** actually needed for program disbursements. **Recipient organizations** shall not **maintain** balances of Federal cash other than the small balances necessary to accommodate the **minimum limitation of \$5,000 on individual** drawdowns. There are currently two **letter-of-credit** mechanisms. The **letter-of-credit** mechanism for advances **is** the Letter of Credit-Treasury Financial **Communications** System. The Federal Reserve Bank-Letter of Credit System **is limited** to the **checks-paid** method. Drawdowns under checks-paid letter of credit will not be recorded as advances. **Detailed** procedures for both mechanisms are covered **in** Chapter I. "Cash."
- 1 Consolidation of Advance Funding. Each Departmental Element (each **single accounting entity**) shall work toward consolidating all advance **funding** to the same **recipient organization** under one letter of credit. In **achieving** this objective, all advance funding **to the recipient** organization shall **be considered**, including that which ordinarily would **not qualify** because it does not meet the criteria established for the **letter-of-credit** payment method.
- 2 Termination of Advance Financing. 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 disbursements, the DOE Element shall terminate advance **financing** unless such action **is prohib-** ited by the statutes governing the program(s). The recipient organization shall then be required to **finance its** operations with its own working capital, and payments to the **recipient organiza-** tion shall be made by the direct Department of the Treasury check method to reimburse it for actual cash disbursements. Such

payments shall be processed expeditiously to minimize the time **elapsing** between **disbursement by** and payment to the recipient organization. When the reimbursement method is not feasible, arrangements may be made whereby the operations of the recipient organization are financed on a working-capital -advance basis **by** an advance to the recipient organization to cover its estimated disbursement needs for a given initial period. This **initial** period shall be decided by DOE, but normally **it** should not exceed **30 days**; thereafter, payments shall be made **to the recipient** organization for the amount of its actual cash disbursements. When advance **funding is** terminated under adverse conditions, the Chief Financial **Officer (CFO, CR-I)** shall be notified. Additional details concerning letter-of-credit procedures are in Chapter I, "Cash."

- (3) **Monitoring and Controlling Advances.** Regardless of the particular method used to advance funds, the **CFO** and Heads of Field Elements, through the respective offices of **Field Element Chief Financial Officer (Field CFO)** and procurement, are responsible for reviewing the financial practices of DOE recipient organizations, both primary and secondary. This **review is** necessary to ensure that the provisions of this chapter and the Treasury Financial Manual are being followed and for instituting such remedial measures as may be necessary in the event that a recipient organization demonstrates an unwillingness or inability to comply with these provisions.
- (a) **Review of Advances.** Periodically, but not less frequently than each quarter, **Field CFO's** shall review each recipient organization's **use** of funds advanced. The contractual document will specify the reports available. The reports required by Title 2, Section 16.8, of the General Accounting Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies: **OMB Circular A-102** revised: **OMB Circular A-110**; DOE 1332.2. UNI FORM REPORTING SYSTEM FOR FEDERAL ASSISTANCE (GRANTS AND COOPERATIVE AGREEMENTS), of 10-31-83; and DOE **1332.1A**, UNI FORM REPORTING SYSTEM, of 10-15-85, may be used as the basis for the review. These reports and other information that may be available shall be reviewed for agreement with amounts **recorded in** DOE accounts, reasonableness of cash balances on hand, and the timing **of drawdowns by** letter of credit or direct Department of the Treasury disbursement.
- (b) **Excessive Advances.** If funds are erroneously drawn in excess of a recipient organization's immediate disbursement needs, the funds should be promptly refunded and reissued when needed. The only exceptions to the requirement for prompt refunding are when the funds involved will be disbursed by the recipient organization within **7 calendar days or when** they are less than \$10,000 and will **be disbursed within 30** calendar days. These exceptions to the requirement for prompt refunding should not be construed by the recipient as approval by the Department of the Treasury or **DOE for a** recipient organization **to maintain** excessive funds. These **exceptions are**

applicable only to **excessive** amounts of funds that are drawn erroneously.

- (c) **Interest Earned on Advances.** Any interest income earned by a recipient organization on Federal funds must be promptly refunded unless the recipient is authorized by law to keep the interest earned. State and local governments and instrumentalities of States and their subgrantees are exempted from this policy by the Intergovernmental Cooperation Act of 1968 (Public Law 95-557). Additionally, OMB Circular A-110, "Grants and Agreements with Institutions of Higher Education," specifies that recipients shall maintain advances of Federal funds in interest-bearing accounts. Interest earned on these accounts shall be remitted at least quarterly to DOE. Up to \$100 of the interest earned per year may be retained by the recipient to cover administrative expenses.
- (d) **Cost Accruals.** When monthly cost reports are received on a regular basis, Field CFO's shall reduce the advance account and charge the operating expense account for the cost of the work performed. If monthly cost reports cannot be obtained, the Field CFO shall estimate the cost of work performed during the month, charge this cost to the appropriate operating expense account, and credit the appropriate liabilities account. When the cost reports are received, the Field CFO shall charge the liability account and reduce the advance account. This procedure must be followed to avoid undue lags in recording the costs of work performed under advances.
- (e) **Recovery of Uncosted Advances.** Cost reports and the balances of the advance account shall be reviewed periodically, but not less frequently than quarterly, to determine whether costs have been recorded accurately and to identify excessive advances. Any uncosted portions that will not be used in the future must be returned promptly to DOE.

c. **Advances to Employees.**

- (1) **Procedures.** Advances to employees shall be made only for travel, tuition, training fees, books, and imprest fund purchases. Advances made to employees shall be kept to the lowest practical levels and shall be made only when needed. Accounting controls must be maintained for all advances, including cash, travelers checks, tickets for travel, and other valuables. Procedures shall be established to account for and recover the advances as soon as they are determined to be excess. A delinquency notice must be issued to the employee if the advance is still outstanding 30 days after completion of the activity for which the advance was made. Collection action through payroll deduction shall be initiated 30 days after the delinquency notice has been issued. Attachments II-1 and II-2 are sample delinquency notices. Administrative offsets are covered in Chapter 111, "Receivables," and DOE 2200.2B, COLLECTION FROM CURRENT AND FORMER EMPLOYEES FOR INDEBTEDNESS TO THE UNITED STATES.

(2) Accounting for Advances.

- (a) **Travel Advances.** Advances of funds maybe made to employees for those usual allowable cash expenses **incurred in** connection **with official** travel expenses including authorized change-of-station travel. A travel advance shall be recorded at the **time the advance is issued by** using the account code and illustrative entry designated **in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.** An advance for **registration** fees or other fees shall be recorded as apart of the travel advance. The travel advance will be liquidated when the final travel voucher is settled and any excess advances are collected from the traveler. Refer to DOE **1500.2A, TRAVEL POLICY AND PROCEDURES,** of 6-7-89, for **specific policy** and requirements.
- (b) **Training Expenses.** For an employee assigned to **training in** non-Government facilities, payment for tuition, fees, and books maybe **made in** advance directly **to the training** organization or to the employee. Advances **for training** expenses shall be recorded **by using** the account codes and illustrative entries designated **in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.**
- (c) **Advances for Small Purchases.** Cash advances of less than \$500 maybe **provided** to an employee on a **receipt** basis for such expenditures as small purchases, repairs, postage, transportation, **and public utility bills.** Normally, employees should not hold cash advances for more than 24 hours, and never for more than 5 days.

3. PREPAID EXPENSES.

- a. **Prepayments.** Prepayments are expenditures that provide future benefits. **Pre-**payments are often recurrent and cover such **items as** rent, taxes, **royalties,** subscriptions, commissions, and insurance. Prepayments shall be recorded as prepaid expenses and expensed over the period to which they apply.
- b. **Suspense Debits.** Costs that cannot be readily charged to a **final** budget and **reporting classification** or to an asset account **during** the current accounting period may **be temporarily** charged to a suspense account so that the preparation of **financial** statements **is** not delayed. The proper account to be charged shall be determined **during** the month after **the charge is** recorded **in** suspense. **This** procedure **applies to** all months of the **fiscal** year except the final month, when all suspense items shall **be identified** and **distributed to** the appropriate accounts.
- c. **Accounting for Prepaid Expenses.** The appropriate accounts, codes, **and entries** for recording prepaid expense transactions are contained in DOE **2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.**
4. **DEPOSITS.** Deposits are payments to vendors for returnable containers or security requirements by contract **with** such vendors as **public utilities.** **If it is** known at the **time of receipt** that the **containers in a particular shipment will not be** returned (because they will be used **in** a contaminated area, because the cost to ship

them back to the supplier would exceed the amount of the deposit. or for some other acceptable reason), the deposit shouldn't be recorded in the other-deposits account but rather should be recorded in the inventory, plant and equipment. or expense account, depending upon the nature of the shipment. Because some vendors require only token or nominal deposits on containers but demand full cost if they are not returned, the full amount to be paid for the containers should be recorded when a determination is made that they are not to be returned. The cost to DOE for vendors' containers that are retained by DOE or its contractors for their own use as returnable containers should be recharged to the stores account: the cost to DOE of special containers to hold or transport process materials should be recharged to the completed plant and equipment account if the containers meet the criteria for retirement units stated in Chapter VI, "Plant and Capital Equipment"; the cost to DOE of vendors' containers that are destroyed or that for any reasons other than those stated in the preceding sentence are not returned should be charged to the cost of operations or included in the cost of the materials they contain (on a consistent basis, of course). Procedures shall be established that, in the opinion of the Head of the DOE Field Office, are adequate to achieve effective management and quantity control of containers for which deposits have been made and that are expected to be returned to vendors. Accounts, codes and illustrative entries are identified in DOE 22 00.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.

5. **ACQUIRED COLLATERAL.** Collateral funds and deposits consist primarily of insurance collateral funds, employee 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 accord with the specific provisions of the contract between DOE and the contractor concerned and the provisions of the insurance plan or other trust agreement requiring the establishment of such a fund. Collateral funds accounts are provided by DOE to record and control all applicable transactions. Income from a collateral fund is accounted for as an appropriation reimbursement and reported under the activity Revenues from Collateral Funds. The following are examples of collateral funds:
 - a. **Insurance Collateral Funds.** Funds deposited with insurance companies not as part of the premium, but held for the specific purpose of providing the insurance company with immediate cash in the event of a catastrophe or some other event causing a large number of claims.
 - b. **Employee Benefit Funds.** Deposits with contractors for the purpose of providing funds for payments to contractors' employees suffering disabilities from certain specified causes.
 - c. **Annuity Funds.** Deposits in escrow to provide funds for the purchase of pension benefits for contractors' employees contingent upon completion of a specified number of years of service by the employee.
 - d. **Accumulated Allowance for Purchase of Annuities.** Estimated accumulated allowance necessary to purchase annuities for contractors' employees based on present and expected number of years of service.

THIRTY-DAY DELINQUENCY NOTICE

DEPARTMENT OF ENERGY
YOUR LOCAL FIELD OFFICE
OUTSTANDING TRAVEL VOUCHER NOTICE

The following travel voucher(s) has been outstanding for more than 30 days after the scheduled completion of your official travel and is therefore delinquent:

<u>TA Number</u>	<u>End-of-Trip Date</u>	<u>Advance</u>	<u>Ticket</u>	<u>Total</u>
XXXXXXXXXX	xx/xx/xx	\$ _____	\$ _____	\$ _____
XXXXXXXXXX	xx/xx/xx	\$ -	\$ _____	\$ _____
Total		\$ _____	\$ _____	\$ _____

Travel vouchers (SF-1012) are due in this office 10 calendar days after official travel is completed. If your advance exceeds your allowable reimbursable costs, repay the excess with your travel voucher or submit it by check or money order to the cashier office, located in Room xxxxxx. You also may submit the excess by mail to the following address:

Department of Energy
Street Address
City, State ZIP Code

Please make checks or money orders payable to the Department of Energy, and identify the travel authorization number and your social security number on the check to ensure accurate posting to your account. Failure to repay delinquent travel advances or to return unused tickets shall result in collection by payroll deduction.

Please submit all outstanding travel vouchers, repay excess advances, and return unused tickets immediately. If you have already submitted your travel vouchers, please contact your travel coordinator to ensure that your vouchers are forwarded promptly.

If you have any questions about this matter, you may inspect our records. If extenuating circumstances preclude you from settling your account, please contact the travel office at [telephone number].



SIXTY-DAY DELINQUENCY NOTICE

DEPARTMENT OF ENERGY
YOUR LOCAL FIELD OFFICE
OUTSTANDING TRAVEL VOUCHER NOTICE

The following travel voucher(s) has been outstanding for more than 60 days after the scheduled completion of your official travel and is therefore delinquent:

<u>TA Number</u>	<u>End - Trip Date</u>	<u>Advance</u>	<u>Ticket</u>	<u>Total</u>
XXXXXXXXXX	xx/xx/xx	\$ _____	\$ _____	\$ _____
XXXXXXXXXX	xx/xx/xx	\$ _____	\$ _____	\$ _____
	Total	\$ _____	\$ _____	\$ _____

Delinquent travel advances are subject to collection by payroll deduction in compliance with DOE 1500.2A, TRAVEL POLICY AND PROCEDURES, which states, "Collection action shall be initiated through payroll deduction if the outstanding advance is not repaid within 30 calendar days following the notice of delinquency."

Please submit all outstanding travel vouchers, repay excess advances, and return unused tickets immediately. If your vouchers and/or check are not received by this office within 15 calendar days, action will be initiated to withhold the amount due from your paycheck. If withholding occurs, you will be denied travel advances for 1 year. This is the final notification that you will receive.

Repay unexpended advances with your travel voucher. Submit them by check or money order to the cashier office, located in Room xxxxxx. You may also submit them by mail to the following address:

Department of Energy
Street Address
City, State, ZIP Code

Please make checks or money orders payable to the Department of Energy and identify the travel authorization number and your social security number to ensure accurate posting to your account.

If you have already submitted your travel vouchers, please contact your travel coordinator to ensure that your vouchers are forwarded promptly.

If you have any questions about the above, you have the right to inspect our records. If extenuating circumstances preclude you from settling your account, please contact our travel office at [telephone number].



CHAPTER III

RECEIVABLES

1. INTRODUCTION.

- a. **Purpose.** To prescribe the policies and general procedures for receivables management and accounting.
- b. **Background.** Receivables include accounts receivable, loans receivable, loan guarantees receivable, and interagency and interfund receivables. Detailed information on DOE's receivable accounts and related accounting entries is contained in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES. Advances to vendors are covered in Chapter 1, "Cash," and Chapter II, "Advances, Prepaid Expenses, and Other Assets." Collection of claims due from current and former DOE employees is covered in DOE 2200.28, COLLECTION FROM CURRENT AND FORMER EMPLOYEES FOR INDEBTEDNESS TO THE UNITED STATES, of 6-9-92. The Federal Claims Collection Act of 1966 (31 U.S.C. 3701-3719) as amended by the Debt Collection Act of 1982 (Public Law 97-365, 96 Stat. 1754); the general regulations contained in the Federal Claims Collection Standards (4 CFR 101-105); DOE's overall debt collection regulations (10 CFR 1015); the Federal Tax Refund Offset Regulations (10 CFR 1018), as well as relevant provisions contained in titles 2 and 4 of the General Accounting Office (GAO) Manual for Guidance of Federal Agencies: Office of Management and Budget (OMB) Circular A-129, "Managing Federal Credit Programs": and volume I, part 6, chapter 8000, of the Treasury Financial Manual (1 TFM 6-8000) constitute the framework for the Departmental policy and procedural requirements prescribed in this chapter. For the purposes of the Federal Claims Collection Standards, DOE's overall debt collection regulations, and this chapter, the terms "claim" and "debt" are deemed synonymous and interchangeable. In addition, for the purposes of this chapter, the term "day" refers to a calendar day unless specified otherwise.
- c. **Applicability.** The applicability of this chapter is specified in DOE 2200.4, ACCOUNTING OVERVIEW, Chapter 1, "Introduction," paragraph 1. Exceptions for power marketing administrations sales activities are as provided in applicable statutes, regulations, and contracts. Exceptions for uranium enrichment services are as provided in applicable statutes, regulations, service criteria, and contracts.
- d. **Policy.** The Departmental policy for receivables is as follows:
 - (1) To effectively manage all receivables from the point of inception through collection, conversion to other assets, or writeoff;

- (2) To record every **receivable** as soon as reasonably possible after the event that **gives rise to it**, but **in no case** later than the end of the month following **the month in which the** event occurred;
- (3) To maintain separate accounts for receivables: keep **detailed subsidiary** records by debtor and **appropriation** or fund, as appropriate; and reconcile receivable balances to **the appropriate** account balances recorded at the Departmental level;
- (4) To **issue billings** on a **timely** basis and specify use of payment **delivery** mechanisms that minimize total cost to the Government as **a whole**;
- (5) To collect the **maximum portion** of any debt due DOE, at the **earliest possible time**, under the circumstances of each case, **without incurring excessive** costs;
- (6) To foster cooperation among DOE organizations and other Federal **agencies** in **collecting** delinquent debts;
- (7) To establish **and maintain** allowances for **uncollectible receivables** based on realistic projections of uncollectable amounts;
- (8) To **identify** and writeoff at the **earliest possible time** accounts that are uncollectable through available means;
- (9) To automate debt collection **operations** to the extent that **automation is cost-effective** and feasible; and
- (10) To follow all **applicable internal** control standards prescribed in DOE **1000.3B**, INTERNAL CONTROL SYSTEMS, of 7-5-88.

2. RECORDING.

- a. **Timeliness.** Record all receivables promptly after events occur that **entitle** DOE to collect funds. Normally, receivables are recorded as soon as reasonably possible 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 rerecorded and **the collection** shall be processed **against** that receivable. Earned but **unbilled receivables** shall be recorded at the end of each monthly **accounting period.**
- b. **General Ledger and Subsidiary Records.** Record each receivable **directly into** the appropriate general ledger balance sheet code or, for the power marketing **administrations,** indirectly, through **subsidiary sales journal entries.** Select the appropriate account code **by determining** the responsible DOE entity that must record the receivable, the type of debtor, or the type of receivable. The

chart of accounts and explanation of each account **are set forth in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES, Chapter I, "Balances Sheet codes."** If necessary, record each receivable in a **subsidiary** ledger to segregate and summarize **billing** information by debtor.

- c. **Appropriation or Fund.** Record the **receivable** in the appropriation or fund that will be credited when collections are accomplished, unless otherwise provided by law or Departmental policy. Except where statutory **authority exists to** do otherwise, record additional charges (Interest, **administrative** charges, and penalties) into the **following miscellaneous** receipt accounts (additional charges **are explained in paragraph 5b(13))**:
- (1) Interest: Account 891435, General Fund Proprietary Interest, Not **Otherwise Classified**, and
 - (2) **Administrative** charges and penalties: Account 891099, Fines, Penalties, and Forfeitures Not **Otherwise Classified**.
- d. **Partial Collection.** When a debt is paid in partial or installment payments, the amounts collected shall **be applied first** to accrued penalties and **administrative** charges, then to accrued interest, and finally **to the principal**, unless **otherwise provided** by statute, regulation, or contract.
- e. **Documentation.** Retain the documentation of receivables and associated **collection** efforts for effective management **of receivables**. In accordance with **OMB Circular A-129**, "Managing Federal Credit Programs," files must **include at least** the following information to the extent that the **information is** available and applicable:
- (1) **Debtor's** name, address, telephone number, and taxpayer identification number;
 - (2) Amount and nature of the debt;
 - (3) Statement of purpose **for which credit** was extended;
 - (4) Payment schedules;
 - (5) Account status;
 - (6) Summary of contacts between DOE and the debtor;
 - (7) Credit approval documentation (screening measures and subsequent approval actions);
 - (8) Credit risk rating;
 - (9) Financial and market analyses for commercial loans;

- (10) Appraisal of collateral, including values of guarantees for secured loans;
- (11) All legal documents related to the indebtedness: and
- (12) Payment history, including any rescheduling.

f. Effective Management and Internal Control. The following documentation is required for effective management and internal control:

- (1) Desk procedures incorporating appropriate internal controls and followup systems within **the limits of practical** operations:
- (2) Monthly **aging of delinquent** receivables by debtor, within balance sheet codes, using the time intervals set forth in paragraph 4a; and
- (3) Documentation **of all** administrative collection action and detailed **documentation of** the bases for **compromise or for termination or suspension of** collection action.

g. Debts Originating Under Acquisition or Financial Assistance Instruments.

- (1) **Debt Determination.** The contracting officer shall determine the amount of debt to be recovered under an **acquisition or financial assistance instrument.** **Such a** debt determination may **be in** the form of a negotiated settlement or a unilateral debt determination. Negotiated debt **determination** settlement occurs where the two parties agree on the amount of debt due DOE, for example, **as a** result of a contract price adjustment, overpayments due **to disallowed** costs, or some other overpayment condition. For such debt determination, the contracting officer shall concurrently **issue a** confirmation of the negotiated settlement to the debtor. When mutual agreement cannot be reached, the contracting officer shall **issue a unilateral** debt determination (final decision rendered pursuant to the award's disputes article). The contracting officer shall **forward a copy** of the confirmation of the negotiated settlement **or unilateral** debt **determination to** the **servicing finance office upon** issuance.
- (2) **Recording.** When the finance **office receives a** copy of the confirmation of the negotiated settlement **or unilateral** debt **determination on a debt** involving disallowed cost or some other overpayment under **an acquisition** contractor financial assistance instrument. **it shall** record the debt as a receivable.
- (3) **Demand for Payment.**
 - (a) The **confirmation** of the negotiated settlement **or unilateral** debt determination shall **include or be accompanied by a written** demand for payment, which shall serve as the invoice or the **first** demand for payment. The demand shall be **mailed on the date it is signed** and dated by **the contracting officer.** The **contracting officer** shall **forward a**

copy of any accompanying demand for payment along **with a** copy of the related confirmation of **the negotiated settlement or unilateral** debt determination **that is** forwarded to the servicing finance office.

- (b) The demand for payment of **a debt originating under an** acquisition contract or financial assistance instrument must be prepared **in** accordance **with applicable acquisition** or financial assistance regulations and the terms and conditions of the DOE award(s) involved. The **requirements of paragraph 5b(1)** shall be incorporated unless prohibited or explicitly provided **otherwise by** statute, regulation, or the terms and conditions of the DOE award **instrument(s)**.
- (c) In cases where the contract debt amount and associated interest are determined under other contractual terms **and conditions** (for example, cost accounting standards, defective pricing, or unallowable costs), the demand for payment should be modified accordingly.

(4) Collection.

- (a) Field Element Chief **Financial Officers (Field CFO's)** shall pursue collection **in** accordance with **the provisions of paragraph 5**. However, collection action on **a particular claim** shall **be coordinated with** the cognizant contracting officer. Should the contractor or financial assistance recipient challenge the **contracting officer's determination on a claim through a** formal dispute process or court action, the Field **CFO**, in coordination with the contracting officer, shall determine whether to suspend collection action until the appeal or court **action is** resolved. However, **interest on** the outstanding amount of the debt shall continue to accrue during the formal appeal process **or litigation**, subject to **final** adjudication.
- (b) There are three methods to **satisfy an awardee's** indebtedness: direct payment, recoupment, and administrative offset. The **selection of** the appropriate method is dependent upon **the nature** of the debt, the necessity for making contractual price adjustments and funding changes, and the **feasibility** of recoupment or offset.

1 Direct Payment. A direct payment shall be required **if the** indebtedness involves a price adjustment and funding **change or if** recoupment cannot be effected **within a reasonable period of time**.

2 Recoupment.

A Recoupment action should be initiated from amounts that are due **or will** become **due within** a reasonable period under the same award if the indebtedness does **not involve** a price adjustment and funding change. The contracting officer and the Field **CFO** shall coordinate on any recoupment action that requires that recoupment be made from amounts that will not become due to the

awardee until more than **30 days** after the date of the first demand for payment.

b The contracting officer or Field CFO, as appropriate, shall provide the awardee with written advance notice of the recouperment action on the amount of the debt and interest. The notice maybe included in the demand for payment and followup demands, if any. Recouperment shall not be used as a means to delay or avoid pricing adjustments or funding actions.

3 Administrative Offset. When payment has not been made by the payment due date, the Field CFO may undertake action to administratively offset the debt and any late payment charges from payments owed the awardee on other Federal awards, in accordance with the provisions of paragraph 5b(5).

(c) The Field CFO shall advise the contracting officer when a debt referred for collection is collected or compromised or when collection action is suspended or terminated.

h. Foreign Receivables. All receivable payment provisions within financial agreements with foreign entities should be based on U.S. dollars. Advance approval from the Chief Financial Officer (CFO) is required before consummating any agreement that does not require payment in U.S. dollars. In addition, the Department of the Treasury prescribes the forms and procedures for required reports relating to U.S. Government grants, loans, credits, and contingent liabilities on loans, credits, and other payment-scheduling agreements involving foreigners (I TFM 2-4500).

(1) **Receivables That Are Payable in U.S. Dollars.** Record receivables that are payable in U.S. dollars in the Department's accounting records in the same manner as any domestic receivable.

(2) **Receivables That Are Payable in Foreign Currency.** If political or other circumstances indicate that DOE must enter into an agreement that allows a foreign entity to make payment in foreign currency, the CFO must approve or reject the proposed agreement based on the best interest of the Government and available guidance from the Department of the Treasury. Receivables shall be recorded based on costs incurred. The DOE finance office shall use one of the following methods to record and control a receivable payable in foreign currency:

(a) **Maintenance of Value.** The preferred foreign currency payment term requires that the foreign entity pay the equivalent of the specified U.S. dollar value of the goods or services rendered. Under this term, the foreign entity makes payment in its currency. The foreign currency is deposited either with the Department of the Treasury or with a servicing bank that will provide the appropriate credit to DOE after the currency is exchanged. If the credit is lessor more than

the recorded receivable value, DOE must collect the additional funds for the shortage or must refund the overcollection.

(b) **Nonmaintenance of Value.** In the nonmaintenance-of-value method, there is no contractual stipulation that fixes the U.S. dollar value to be received for the goods or services. When the foreign entity pays its indebtedness in its currency, regardless of fluctuations, the amount of the payment may be more or less than the U.S. dollar value of the goods or services. If the payment is more than the recorded receivable, the excess should be recorded as revenue into miscellaneous receipts. If the payment is less than the receivable, the unpaid balance is written off (in accordance with the provisions set forth in paragraph 7) and recorded against operating expenses.

f. **Long-Term Receivables.** Receivables or portions of receivables that are not due within 1 year are long-term receivables; record them under the appropriate nonfund fund type balance sheet code. Review long-term receivables periodically to determine whether collection should or can be accomplished. Reclassify the long-term receivables or portions of the receivables to the appropriate current receivable balance sheet codes when they become due within 12 months.

3. **BILLING.**

a. **General.**

(1) **Initial and Subsequent Demands for Payment.** A written request "demand for payment of moneys due DOE must be prepared and transmitted to the debtor. This request may be in the form of a letter, an invoice, or another form of billing. It must be prepared, within the guidelines presented in paragraphs 3b through d, at the time of the event that entitles DOE to the moneys. The initial written request or demand for payment is referred to as "the invoice."

(2) **Amounts Due from Other Federal Agencies.** Field CFO's shall follow the procedures established by the Department of the Treasury for invoicing and collecting amounts due from other Federal agencies. Except to the extent authorized by law, only the general requirements for timeliness of invoicing presented in paragraph 3c are applicable to other Federal agencies' receivables as well as to other receivables. Available mechanisms for processing interagency transactions include the On-Line Payment and Collection System (OPAC); Standard Form [SF] 1080. "Voucher for Transfer Between Appropriations and/or Funds"; and SF-1081, "Voucher and Schedule of Withdrawals and Credits." (See I TFM 6-10000 for further information on OPAC and I TFM 2-2500 for further information on the SF-1080 and SF-1081 processes. Additional information on these mechanisms is included in Chapter I, "Cash.")

b. Types of Invoices.

- (1) Actual Value. When the amount due is known, the invoice shall be prepared as an actual -value invoice.
- (2) Estimated Value. 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 that a final invoice will be prepared and transmitted within 5 working days of determination of the actual amount due, with final invoice transmission projected to be on or about a particular date.

c. Timeliness of Invoices. Invoices should be prepared and transmitted within 5 working days after goods have been shipped or released, services have been rendered, determinations on overpayments under acquisition or financial assistance instruments have been made, or payment is otherwise due. Invoice preparation and transmission may be completed later than 5 working days after payment is due if the delay can be demonstrated to be cost-effective. Where cost information necessary to determine the amount of the invoice is not available until the end of the month, the invoice should be prepared and transmitted as soon as reasonably possible after the accounting month end, but in no case should it be transmitted later than 30 calendar days after the end of the month in which the costs were incurred. Once the invoice is prepared and ready for transmission (mailed, hand-delivered, or transmitted electronically or otherwise), it is dated. This date is the invoice date. For services rendered on a continuing basis, the service shall be invoiced monthly unless otherwise provided in the contract. If one DOE organization acts as the selling agent for goods or services provided by another DOE organization, the selling agent must be provided with complete billing information by the 3rd working day of the other DOE organization in order to meet the 5th-working-day requirement for invoicing.

d. Content. The content of the invoice provides the basis upon which DOE can proceed to use all appropriate collection actions. Therefore, unless prohibited or explicitly provided otherwise by applicable statute, regulation, loan agreement, negotiated contract, or acquisition or financial assistance instrument, the content of the invoice must meet the following requirements:

- (1) Basis and Amount. The reason for and the amount of the invoice must be clearly indicated on the face of the invoice. For example, invoices for the sale of products generally include information reflecting product type, quantity, unit price, and extended price.
- (2) Right To Review. Any right to a review of the claim within DOE must be clearly indicated on the invoice. Reviews other than those extended prior to administrative offset (see paragraphs 5b(5)(c)1e and (6)(d)3) or prior to reporting an individual debt to a consumer reporting agency (see paragraph 5b(7)(b)5d) normally shall be based upon the written record, with a

response provided to the debtor **within** 30 days of receipt of the debtor's request for review.

- (3) **Payment Terms.** The invoice must stipulate the terms by which **DOE** requires payment.
- (a) **Due Date.** Although invoices are demands **for immediate** payment, the **last day upon which the payment is to** be received by DOE is the payment due date, after **which** the debt is considered delinquent. The payment due date on the invoice should not be more than 30 days after the date of the invoice.
- (b) **Payment Mechanisms.** The invoice must inform the debtor of where and how **the payment is to be remitted.** The **options are** by check **or by** electronic funds transfer; electronic funds transfer **is the preferred** payment mechanism. Payment mechanisms and specific payment techniques, for example, **lockbox** arrangements, shall **be used in a** cost-effective manner **and in** accordance with Department of the Treasury requirements **contained in I TFM 6-8000** and specific agreements with the Department of the Treasury. These payment **mechanisms** are **discussed in** detail in DOE 2200.6A, FINANCIAL ACCOUNTING, Chapter I, "Cash."
- (c) ~. For any debt to which the **provisions of** 31 U.S.C. 3717 apply, a statement shall be placed on the invoice that advises the debtor that additional charges (specifically, interest, penalties, and administrative charges) **will** be assessed **in accordance** with 31 U.S.C. 3717 if payment in full is not **received by** the due date specified on the invoice. For suggested wording, see paragraph **5b(1)(a)2f.** For additional information on interest, penalties, and administrative charges, see paragraph **5b(13).**
- (d) **General Recourse.** A statement shall be placed on each invoice that advises the debtor **of DOE's** intent to use any applicable collection actions made available by the Debt Collection Act of 1982, as amended; the revised Federal Claims Collection Standards; and the Deficit Reduction Act **of 1984,** as amended, if the debt is not paid when due. For suggested wording, see paragraph **5b(1)(a)2g.**

4. **AGING.**

- a. **Aging Schedule.** To control receivables effectively, aging schedules **should be** used to determine the number and dollar significance of delinquent receivables; to identify receivables that may become uncollectible; and to identify receivables that **should be** referred to credit reporting agencies, collection agencies, or the Department of Justice. Age each receivable at least monthly, based on the invoice date. Reinstated receivables **should be** aged based on the original invoice date. The receivable should be classified **as a** current receivable if payment is due within 12 months and as a long-term (noncurrent) receivable if payment is not due within 12 months. Record and classify

delinquent receivables into the following delinquency ranges: **1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days, 181-360 days, greater than 1 year and equal to or less than 2 years, greater than 2 years and equal to or less than 3 years, and over 3 years.**

- b. **System Reporting Requirements.** DOE's accounting system shall provide reports on receivables that are consistent with or reconcilable to the amounts reported on SF-220-9, "Report on Accounts and Loans Receivable Due from the Public."
- c. **Department of the Treasury Reporting Requirements.** Pursuant to ITFM 2-4100, DOEIS required to submit SF-220-9 to the Department of the Treasury quarterly. Each finance office submits its SF-220-9 information quarterly to the CFO for consolidation and appropriate distribution to the Department of the Treasury. (For additional information on SF-220-9 reporting requirements, see ITFM 2-4100 and DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING, Chapter III, "External Reporting.")
- d. **DOE Reporting Requirements.** Each finance office shall submit a quarterly receivables report to the CFO. This report shall be prepared and submitted in accordance with instructions issued by the Office of Departmental Accounting and Financial Systems Development. (For further information on the quarterly receivables report see DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING, Chapter II, "Internal Reporting.")

5. **COLLECTION.**

- a. **General.** Each DOE Field CFO shall take aggressive action, on a timely basis and with effective followup, to collect claims arising out of DOE activities that have been recorded by the finance office as receivables or referred to that office for collection. In addition, DOE Field CFO's shall cooperate fully with one another and with other Federal agencies in their debt collection activities. Collection action shall be pursued in accordance with the Federal Claims Collection Standards (4 CFR 101-105), the Department's debt collection regulations (10 CFR 1015), and the standards set forth in paragraphs 5b through d. However, the standards for the compromise of claims and suspension and termination (paragraphs 5c and d) do not apply to any claim for which there is an indication of fraud, presentation of a false claim, or misrepresentation on the part of the debtor or any other party having an interest in the claim. Only the Department of Justice has the authority to compromise, suspend, or terminate in such cases. Standards for administrative collection (paragraph 5b) do apply, but only to the extent authorized by the Department of Justice in a particular case. The Field CFO shall coordinate with the cognizant contracting officer on collection actions related to claims that originate under acquisition or financial assistance instruments (see paragraph 2g(4)). Where the situation calls for further action on a claim at an integrated contractor to be initiated by DOE, the claim shall be promptly reassigned to the cognizant field element. (For information on the accounting entries used to reassign a claim, see DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES, Chapter III, "Accounting Entries.") Furthermore, with regard to claims due from other Federal agencies, only the general requirements for the timeliness of demands for payment are

applicable except to the extent authorized by law (see paragraph 3a(2)). The Field CFO should **try to resolve an interagency claim** through negotiation. Upon **written** request from the Field CFO, the CFO will assist in effecting such resolution. If **negotiation fails to resolve the claim**, the Field CFO should refer the claim, through the CFO, to GAO for resolution. (See paragraphs 5e(1)(b) and (4)(b) for further information on referrals to GAO.)

- b. **Standards for Administrative Collection of Claims.** To use the collection remedies made available under the Debt Collection Act of 1982, as amended, and the Deficit Reduction Act of 1984, as amended, DOE is required to fulfill certain administrative requirements (4 CFR 102, 10 CFR 1015, 26 CFR 301.6402-6T, and 10 CFR 1018). The debtor must be clearly advised of the following: the basis and amount of the debt (or claim); any right to a review of the claim within DOE; when payment is to be received and how and where it is to be sent; the fact that additional charges (interest, administrative charges, and penalties) will be assessed; the debtor's rights prior to collection by administrative offset; and, finally, actions DOE may take to collect the debt. If at anytime during the collection cycle a response from the debtor or other information becomes available that indicates that collection of the debt is in jeopardy, DOE may take any of the collection actions described in this chapter, as authorized under the Debt Collection Act: the Federal Claims Collection Standards: the Deficit Reduction Act, as amended; or DOE's debt collection regulations. The collection actions and the times at which they occur are required unless some other course is strongly indicated by the information available.

- (1) **Demand for Payment.** Once it is determined that a claim exists, the claim is turned over to the cognizant Field CFO, who is then responsible for maintaining the appropriate accounting controls over the account and ensuring that prompt and aggressive action is taken to collect the account. The Field CFO shall make appropriate written demands of the debtor. These demands shall inform the debtor of the consequences of failure to pay the debt promptly. A total of three progressively stronger written demands at not more than approximately 30-day intervals will normally be made unless a response to the first or second demand or other information indicates that further demands would be futile or unnecessary.

(a) **Invoice or First Demand.**

- 1 The Invoice (that is, the first demand for payment) shall be prepared and transmitted within 5 working days after the event that entitles DOE to the funds, unless the cost-effectiveness of a longer delay has been demonstrated. The invoice is dated with the date on which it is mailed, hand-delivered, or otherwise transmitted to the debtor.
- 2 The invoice shall contain the following information:
 - a The basis and amount of the claim.

- b Instructions on how and where to remit payment.
- c Any right to a review of the claim within DOE.
- d The date of the notification (Invoice date).
- e The date by which DOE expects full payment (due date).
- f The provisions for assessing the additional charges. Suggested wording is as follows: "Payments not received within [generally, 30] days of the invoice date will accrue interest on the amount due from the invoice date at the rate of [Department of the Treasury current value-of-funds Interest rate] percent per annum. A charge to cover costs incurred for processing and handling a delinquent account will be assessed. Currently, the minimum charge is [amount of administrative charges calculated in accordance with paragraph 5b(13)(a)2a] for each 30-day period or portion thereof. There is no maximum. A 6-percent-per-annum penalty on any principal amount not paid within 90 days of the due date shall also be assessed for the period of delinquency."
- g The provision covering DOE's intent to take the various actions necessary to collect, inserted directly after the additional-charges statement. The suggested statement is as follows: "Finally, collection actions, including, but not limited to, use of credit reporting agencies, made available under the Debt Collection Act of 1982, as amended, and the revised Federal Claims Collection Standards, and the use of the Federal Tax Refund Offset Program made available under the Deficit Reduction Act of 1984, as amended, will be used as necessary to ensure collection of the amount due."

(b) **Second Demand.**

- 1 If the debt is not paid by the due date specified in the invoice, a second demand for payment shall be mailed within 5 working days after the due date. This is generally accomplished between the 31st and 35th days after the original invoice date.
- 2 This demand for immediate payment shall contain the same first five items (paragraphs 5b(1)(a)2a-e) as the invoice. It shall also contain the following:
 - a The amount of accrued interest as of the current date that is due with payment.
 - b The amount of administrative charges as of the current date that is due with payment.

- c **Notice that a penalty of 6 percent per annum** is accruing and will be due and payable if the debt becomes 91 days delinquent.
- d If the debt **is due from a commercial** organization and has been reported **to a** credit reporting agency, a **specific** notice that the debt has been reported to **a credit reporting** agency. (See paragraph **5b(7)** for information **on reporting** commercial debt to a credit reporting agency.)
- e If the debt **is due from an individual**, the **written notification** required **prior to** reporting the debt **to a** credit (consumer) reporting agency. (See paragraph **5b(7)(b)5** for **the written** notification requirements.)
- f Notice of intent to take other collection actions. Suggested wording **is: "If it becomes necessary, we may collect by** using administrative offset, a collection agency, **or litigation."**
- g **Designation of a** DOE contact (name, mailing address, and **tele-** phone number of the contact), worded **as appropriate** based on the content of the demand.

(c) **Third Demand.**

- 1 If the debt **is not paid within** 30 days of the date of the second demand, **a stronger, third** demand for immediate payment shall be **mailed by** registered or certified mail within 5 working days. return receipt requested, with **the receipt** retained as **proof of delivery**. This is generally accomplished between **the 62d and 66th** day after **the original** invoice date, and the debt **generally is considered to** beat **least 31** days delinquent.
- 2 **This demand for immediate** payment shall contain the same first five items (paragraphs **5b(1)(a)2a-e**) **as the invoice**. It shall also contain the following:
 - a The accrued interest and administrative charges as of the current date that are due with payment.
 - b The accrued penalty charges as of the current date and **a statement** that the accrued penalty charges will be waived only if payment **is received** by close of business on the **90th** day from the payment due date.
 - c If the debt **is due from an** individual, **a reminder** of the intent to report the debt to **a consumer reporting** agency. Suggested wording is: **"If this debt** not **paid or you** have not contacted us to make payment arrangements within **30 days, we will** report the **delinquency to a consumer** reporting **agency."**

- d** Notice of intent to take other appropriate **collection** actions.
Suggested **wording is**: 'We are also considering the **use of administrative** offset, the use of a collection agency, **and/or** litigation **If we do** not receive payment **in full by [date]."**
- e** **Designation of a DOE contact.** Suggested **wording is**: "If you have **any questions or if you wish to** review the basis of the amount due, contact [name, mailing address, and telephone **number of** contact]."
- (d) **Additional Demands.** Additional demands for payment shall be sent that will **continue to inform** the debtor of the **basis of the debt and of the additional** charges that **are accruing as a** result of the delinquency. Additional demands shall also continue to allow the debtor the **opportunity to** request an installment arrangement and to inform the debtor **of his or** her continuing right to inspect the records and verify the amounts due. **If a consumer** (individual) **debt in excess of** \$100 becomes more **than 61** days delinquent **and the conditions presented in** paragraph 5b(7) (b) have been met, the debt shall normally be reported to a credit (consumer) reporting agency. **Decisions on** continued collection actions shall be made on the basis of **information** available. **If, in the opinion of** the Field CFO, the **administrative collection** actions available (such as **installment** payments, administrative offset, **liquidation of collateral**, or **the suspension** or revocation of business relationships) would not result **in prompt** settlement of the debt, then the stronger available actions may be pursued. Although **the decision on** continued **collection action is** dependent on the amount and any legal principle involved, the normal course of events indicates referral to collection agency and subsequent determination to **litigate or write off**.
- (e) **Debtor Notification Prior to Administrative Offset:** Before **collecting a debt by** administrative offset, due **process** requires that certain **information be** provided to the debtor. This information can be **provided in** the Invoice **and in followup** demands or by separate notice to the debtor **of DOE's** intent to collect the debt by **administrative** offset. An **invoice** or **followup** demand intended **to meet** this due-process requirement must be forwarded by registered or certified mail, return receipt requested, with the **receipt retained** as proof of **delivery**. Due-process procedures are covered **in paragraph 5b(5)(c)** for **administrative** offset under 31 U.S.C. 3716 and paragraph **5b(6)(d)** for administrative offset under 31 U.S.C. **3720A**. However, **the information that must be provided to** the debtor is summarized as follows:
- 1** The nature and amount of the debt,
 - 2** The payment due date,
 - 3** The intent to collect by administrative offset,

- 4 The right of the debtor to inspect and copy the DOE records related to the claim,
 - 5 The right of the debtor to a review of the claim **within** DOE (including **the opportunity to provide**, by a certain date, any available **evidence to be considered in** the review). and
 - 6 The right of the **debtor to** offer to make a **written** agreement to repay **the amount** of the **claim**.
- (2) **Personal Interview with the Debtor.** If the amount of the debt and the debtor's location permit, personal interviews are encouraged. Care should be taken to document such Interviews, and a very clear repayment agreement **should be** reached with the debtor. **Followup interviews by telephone can act as strong inducements to pay.**
- (3) **Claims Due from Employees.** 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 2200.2 , COLLECTION FROM CURRENT AND FORMER EMPLOYEES FOR INDEBTEDNESS TO THE UNITED STATES, of 6-9-92.
- (4) **Administrative Review of the Debt.** DOE shall consider **any available evidence in** response to a debtor's request **for a** review. Typically, the **CFO (for any Headquarters debt) or the Head of the Field Element (for any field element debt). or a designee,** reviews **and decides** the existence and amount of the debt. However, on a case-by-case **basis,** the CFO or the Head of the Field Element may request the Chairman of the Board of Contract Appeals **to appoint** a reviewing official to review and decide **the existence** and amount of a debt. **In such** a case, the Board of Contract Appeals **reviewing official will** conduct **the review** In accordance **with** procedures **established by** the Board of Contract Appeals. However, the Board of Contract Appeals reviewing official will conduct an oral hearing when the **requirements of 10 CFR 1015.3(d) (l)(v) are met.** In any case. the **debtor's** right **to a hearing or review of the claim is** as follows:
- (a) The debtor shall be provided **with a reasonable opportunity for an oral hearing** when an applicable statute authorizes or requires consideration **of waiver of** the Indebtedness involved. the debtor requests waiver of the indebtedness. and the waiver determination turns on an issue of **credibility or veracity or when** the debtor requests reconsideration of the debt and the **reviewing official** determines that the question of indebtedness cannot be resolved by **review of** the documentary evidence (for example, when the validity of **the debt** turnson an issue **of credibility** or veracity). Unless otherwise required by law, this oral hearing need **not be a formal evidentiary hearing.** although all **significant** matters discussed at the hearing shall be documented. An oral hearing is not required for debt

collection systems in which determinations of indebtedness or waiver rarely involve issues of credibility or veracity and the reviewing official has determined that review of the written record is ordinarily an adequate means to correct prior mistakes. In administering such a system, the reviewing official is not required to sift through all requests received in order to accord oral hearings in the few cases that may involve issues of credibility or veracity. In cases where an oral hearing is not required, the debtor shall be accorded a "paper" hearing; that is, a determination on the request for waiver or reconsideration shall be made based upon a review of the written record. Waiver of a claimer any related additional charges must be approved by the CFO or the Head of the Field Element, or a designee.

- (b) If the claim is disputed in full or in part, the debtor's written response to the demand must include a request for review of the claim within DOE. If the debtor disputes the claim, the debtor shall explain why the debt is incorrect. The explanation should be supported by affidavits, canceled checks, or other available evidence. The written response must reach DOE by the payment due date. The demand letter must inform the debtor that supporting evidence must be submitted to DOE by the payment due date if it is to be reconsidered in the review. A written response received after the payment due date maybe accepted if the debtor can show that 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 should be paid by the date stated in the initial demand.
- (c) The debtor shall be notified, within 30 days of receipt of the debtor's response whenever feasible, of whether determination of the debt has been sustained, amended, or canceled. If such action is not feasible within 30 days, the debtor should be notified, in writing, before the end of the 30-day period, that the request for waiver or reconsideration is being processed and that 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 should be forwarded to the debtor no later than 60 days after receipt of the debtor's request. If the determination is sustained or amended, the debtor shall be notified of DOE's intent to take whatever collection action(s) is pending; for example, refer the delinquent debt to a consumer reporting agency and/or collect the debt by Federal tax refund offset or any other administrative offset tools available unless payment or request for reconsideration is received within 15 days of the mailing of the notification of the decision. This notification shall be forwarded by registered or certified mail, return receipt requested, with the receipt retained as proof of delivery.

- (d) The decision of **the reviewing official** becomes final unless, within **15 days of its receipt**, the debtor requests **reconsideration of the decision**. In cases where the **decision is made by a Board of Contract Appeals reviewing official**, the DOE official who referred the case to the **Chairman of the Board of Contract Appeals** also may request **reconsideration within 15 days** of receipt of the decision. **Reconsideration** will be granted only on the grounds of an asserted error **of law or new evidence** that could not have been discovered before **the decision** through the exercise of **due diligence** by the requesting party or that was not available before **the decision** through no fault of the requesting party.
- (e) **When a debtor's** written response to **a demand** for payment constitutes an appeal of or **notice of** court action on **a claim that** originated under an acquisition contract or financial assistance instrument, the Field **CFO** shall refer the matter to the cognizant contracting officer **for action**. The Field **CFO**, in coordination with the **contracting** officer, shall determine whether to suspend collection action until the resolution of the appeal or court action; however, Interest shall continue to accrue during the formal appeal processor litigation (see paragraph **2g(4)(a)**).
- (5) **Administrative Offset Under Title 31, Section 3716, of the United States Code.** Collection by administrative offset will be determined and pursued on a case-by-case basis **within** the overall guidelines established in the Federal **Claims Collection Standards (4 CFR 102)** and the **DOE debt collection regulations (10 CFR 1015)**. Fair and prudent decisions shall **be made** that protect DOE's financial interests, give appropriate consideration to the debtor, give full **consideration to** all the **Government's** interests, and ensure that the proper process **is** followed.
- (a) **Use of Administrative Offset.** Whenever **feasible** and not otherwise prohibited, after **a debtor fails to pay a claim**, request **a review of the claim**, or make an arrangement for payment, **the claim** shall be collected by administrative offset **against obligations** of the United States to the debtor, pursuant to 31 **U.S.C. 3716**. In appropriate **circumstances**, due consideration will be given to the debtor's financial condition or to the question of whether offset would **tend to** substantially interfere with or defeat the purposes of the program authorizing the payments **against which** offset is contemplated. For example, under a grant **program in** which payments are **made in** advance of **the grantee's** performance, offset will normally **be inappropriate**. This concept generally does not apply, however, where payment **is in** the form of reimbursement. **Determination as to whether collection by** administrative offset infeasible shall be made by the Field **CFO**, with appropriate coordination with any involved contracting officer or program official, on a case-by-case basis in the exercise of sound discretion. In reaching this determination, consideration should be given not only to whether administrative offset can be accomplished

both practically and legally but also to whether offset **is best suited** to further and protect all the **Government's interests**. Although appropriate coordination **is required**, the final **decision** on whether to enforce an offset remains the prerogative of the **Field CFO**. Offset **will** be sought first **within** the DOE **office involved**, second **within** DOE overall, and third through other Federal agencies. When other collection techniques have been unsuccessful, credit reports on delinquent accounts should be reobtained to **identify opportunities** for **administrative** offset of amounts due to a delinquent debtor from other Federal **agencies**. (See paragraph **5b(7)** for **additional information** on credit reporting agencies.)

1 **Statute of Limitations**. **Administrative** offset shall not be used to collect a debt under 31 **U.S.C.** 3716 more than **10 years** after the **Government's right** to collect the debt **first** accrued unless facts material to the **Government's right** to collect the debt were not known and could not reasonably have been **known by** the **DOE official** or **officials** who were charged with the **responsibility to discover** and collect the debt.

2 **Exclusions**.

a Title 31 **U.S.C.** 3716 does not authorize use of administrative offset with respect to:

i Debts owed by any State or local government:

ii Debts **arising** under or payments made under the **Social Security Act**, the Internal Revenue Code of 1954, or the tariff laws of the United States: or

iii Any case in which collection by **administrative** offset of the type of debt involved is **explicitly provided for or** prohibited by another statute.

b However, unless **otherwise provided** by contract or law, debts or payments that are not subject to **administrative** offset under 31 **U.S.C.** 3716 should be collected by **administrative** offset to the extent authorized under common law or other applicable statutory authority. The Field **CFO** should seek advice from **appropriate** DOE legal counsel **prior to attempting to** exercise the right of offset under common law or other statutory authority.

3 **Salary Offsets and Offsets Against Military Retired Pay** are governed by 5 **U.S.C.** 5514,

4 **Collection by Administrative Offset of Amounts Payable from the Civil Service Retirement and Disability Fund** will be made pursuant to 5 **U.S.C.** 5705 and 31 **U.S.C.** 3716 and regulations thereunder.

5 Collections Made by Administrative Offset Under 31 U.S.C. 3716 shall be in accordance with the procedural requirements set forth in paragraph 5b(5)(c).

6 Collections Made by Administrative Offset Under 31 U.S.C. 3720A shall be in accordance with the procedural requirements set forth in paragraph 5b(6).

(b) Interagency Requests.

1 Requests to DOE by other Federal agencies for administrative offset should be in writing and forwarded to:

Department of Energy
Office of Chief Financial Officer (CR-1)
1000 Independence Avenue, SW
Washington, DC 20585

Any requests received by the CFO shall be immediately forwarded to the cognizant Field CFO for appropriate action.

2 Requests to Other Federal Agencies. A request from a DOE Field CFO to another Federal agency holding funds payable to the debtor must be in writing and forwarded, certified return receipt, as specified by the receiving agency in its regulations. If such regulations are not readily available or identifiable, the request should be submitted to the agency's office of legal counsel with a request that it be reprocessed in accordance with the agency's internal procedures.

3 Processing Time. Requests to DOE should be processed within 30 days of receipt. If such processing is not practical or feasible, notice to extend the time period for another 30 days should be forwarded by the Field CFO to the requester at least 10 days before the expiration of the first 30-day period.

4 Written Certification. A request from DOE must be accompanied by a written certification that the debtor owes the debt (including the amount) and that the requesting agency has fully complied with the provisions of 4 CFR 102.3. Field CFO's should cooperate with other agencies in effecting collection unless the offset would be otherwise contrary to law. Any such offsets, however, shall be fully coordinated with any involved contracting officer or program official.

5 Reporting Contract Debts to the Army Holdup List. If administrative offset cannot be effected through the accounts payable of DOE or another Federal agency, then the Field CFO should place a complete stop order against amounts otherwise payable to the debtor by placing the debtor's name on the Department of the Army's

List of Contractors Indebted **to the United States**. commonly referred to as "The Army Holdup List." Delinquent contract debts **of \$200 or more** can be **placed on** the Army Holdup List by reporting the name and address of the contractor, the employer **identification** number, and the amount of the debt to:

Office of the Chief of Finance
Department of the Army
Washington, **DC 20310**

These debts will **remain on** the Holdup List until they are collected or written off **or until** they **remain at** less than **\$1,000 for 12** months. If any amounts are discovered by this procedure, they will be offset against the debt owed, provided that applicable **provisions of 4 CFR 101-105** have been met and that the offset would not be **otherwise contrary to** law. The Field **CFO must notify the Army's** Office of the **Chief of Finance** when debts **placed on** the Holdup List have been **collected or** written off. When **it is** known that **a debtor** contractor has a payment due from another agency, the Field **CFO** should request that the remitting agency **withhold** from the payment the amount due DOE. Additionally, the Field **CFO** should cooperate with other agencies requesting the **withholding of** amounts due from DOE payments. Withholding of amounts due shall **be fully** coordinated with any involved **contracting officer** or program **official**.

(c) **Due-Process Procedures**

- 1** Before **collecting** a debt by administrative offset under 31 U.S. C. 3716, the Field **CFO** shall notify the debtor **in writing** in the invoice and subsequent written demands or by separate **30-day** notice **of DOE's** intent to collect the debt by administrative offset. **Invoices and followup** demands intended to meet this due-process requirement or any separate **notice of** intent **should be** forwarded by registered or certified mail, return receipt requested, with the receipt retained as proof of delivery. The debtor notification shall include the following:
 - a** Nature and amount of the debt.
 - b** Payment due date.
 - c** Intent to collect by administrative offset (**in** accordance with the Federal Claims Collection Standards (4 **CFR 102**) and DOE's debt collection regulations (**10 CFR 1015**)), including requests to other Federal agencies **to help** in the offset whenever **possible**, if: the debtor has not made voluntary payment; **has not** requested a hearing or **review of** the claim within DOE, as set **out in** paragraph 5b(4); **or has** not made arrangements for payment, as set out in paragraph 5b(5)(c)1f, by the end of the **30-day** notice period.

- d Right of the debtor to inspect and copy or, where this is not feasible, receive **copies of** the DOE records related **to the** claim. Any costs associated therewith shall be borne by the debtor. The debtor shall give reasonable **notice to DOE in** advance of the date upon which it intends to inspect and copy the records involved.
- e Right of **the debtor to a hearing or review of the claim (including the opportunity to** provide, by a certain date, any available evidence **to be considered in the review).**
- f Right of the debtor to offer to make a written agreement to repay the amount of the claim. Acceptance of **such an agreement is at the discretion of the Field CFO. Determination of acceptance should be based on a balancing of** the Government's interest in collecting the debt against fairness to the debtor. However, if the debt **is delinquent** and the debtor has not **disputed it,** then **the presumption should be in favor of offset** unless the debtor can **establish that it would impose undue financial hardship or would be against** equity and good conscience. For further information on collection **in installments,** see paragraph **5b(12).**

- 2 **In cases in which** the above procedural requirements have been **provided** to the debtor previously **in connection with** the same debt under some other statutory or regulatory authority, for example, pursuant **to a notice** of audit disallowance, the Field **CFO is** not required to duplicate those requirements before **taking administrative** offset under 31 U.S.C. 3716. Furthermore, the **Field CFO** may effect **administrative offset under 31 U.S.C. 3716 against a** payment to **be made to a debtor** before completion of **the required** procedures **if failure** to take the offset would substantially **prejudice** the Government's ability to **collect** the debt and if the time before the payment is to be made does not reasonably permit the **completion of** those procedures. Offset **action before completion** of the procedural protections should be taken only **if it is** necessary to preserve the **Government's ability** to collect the debt, for example, when the **10-year** statute of limitations on offset under the **authority of 31 U.S.C. 3716 is about to expire.** Such prior offset shall be followed promptly **by completion of** the **required** procedures. Amounts recovered by **administrative** offset found **not to be** owed to DOE shall be refunded promptly.

- (6) **Federal Tax Refund Offset Program.** Section **2653 of** the **Deficit Reduction Act of 1984 (31 U.S.C. 3720A), as amended** by the Emergency Unemployment Compensation **Act of 1991,** authorizes **DOE to** refer past due legally enforceable debts to the Internal Revenue **Service (IRS)** for offset **against** the income tax **refunds of** persons owing **debts to** DOE. Referral of **debts to** IRS shall be **in accordance with** the provisions set forth in **this** paragraph and **any additional instructions provided** by Headquarters. The program

requires that any forwarding of data **or collections** to or from **IRS** be coordinated through a **single** agency point.

- (a) **Implementation.** The **CFO coordinates Departmentwide** implementation of the program through the Director of the Office of Financial Policy and a consolidated transmission and update to IRS of all **DOE delinquent debtor records** and related data through the Director of **Headquarters Accounting Operations**. Prior to the start of **each year's** program, Field **CFO's** shall provide the Office of Headquarters Accounting Operations **with a description of** the estimated numbers, dollar amounts, and types of **individual** debts that would be eligible. To **participate in a given** calendar year program, this information must be resubmitted before the **pre-offset** address requests are **submitted to IRS** (see paragraph **5b(6)(c)**).
- (b) **Eligibility Criteria.** A past due legally enforceable debt referable to IRS must meet the following criteria:
- 1 It must be an obligation of a natural person;
 - 2 Except in the case of judgment debts. It must have been delinquent for no more than **10 years**, as of January 1 of the program year;
 - 3 It cannot be collected currently pursuant to the salary offset provisions of **5 U.S.C. 5514(a)(1)**, which allow the head of an agency or assignee to deduct from an employee's current pay account the amount of **the employee's** indebtedness to the United States;
 - 4 It must be ineligible for **administrative** offset (31 U.S.C. **3716(a)**) because of an **explicit** statutory provision **for or prohibition against** use of **administrative** offset to collect the debt (31 U.S.C. **3716(c)(2)**), or the debt cannot be collected currently by administrative offset under 31 U.S.C. **3716(a)** by DOE;
 - 5 DOE must have **notified or must** have made a reasonable attempt to notify the taxpayer that the debt is past due and that unless the debt is repaid **within 60** days after the notice, the debt will be referred to IRS for offset **against** any refunds of taxes;
 - 6 DOE must have **given** the taxpayer at least 60 days from the date of notification to present evidence that all or part of the debt is not past due or legally enforceable, must have considered **evidence** presented by the taxpayer, and must have determined that an amount of **the debt is** past due and legally **enforceable**;
 - 7 The debt must have been disclosed **by DOE to** a consumer reporting agency as authorized **by 31 U.S.C. 3711(f)**, unless a consumer reporting agency **would be prohibited** from using such information

by 15 U.S.C. 1681c or unless the amount of the debt does not exceed \$100.00;

8 It must be at least \$25.00; and

9 DOE records must not indicate or otherwise contain evidence that the person owing the debt (or his or her spouse) has filed for bankruptcy under **title 11** of the United States Code (Bankruptcy Code), or DOE must **establish clearly** at the **time of** the referral and must certify at that time that **the automatic stay under 11 U.S.C. 362** has been lifted or is no longer **in** effect with respect to the person owing **the debt or his or her spouse** and that the debt has not been discharged.

(c) **Pre-Offset Address Request.** Prior to submission of the debt to IRS for offset (annual **certification**), participating offices must obtain the latest IRS address information **from an individual's tax account** by submitting **pre-offset** request records to the Office of Headquarters Accounting Operations for **forwarding to IRS. This submission is** to obtain address information for **use in making a** reasonable attempt to **notify the obligor** of DOE's intent to refer the debt to IRS for offset.

(d) **Due-Process Procedures.** A request for reduction of an IRS tax refund shall be made only after **the office** submitting the debt makes a determination that an amount **is owed** and past due and provides the debtor with **60 days'** written notice. The notice must include the following:

- 1** The amount of the debt, including interest to the date of the notice, and other charges, which may include but are not limited to an IRS offset fee;
- 2** Notification that unless the **debt is** repaid **within 60** days from the date of the notice, DOE intends to collect the debt by requesting IRS to offset the debt (including interest and additional charges) against refunds of Federal taxes paid;
- 3** Notification that the debtor **has a right to a** review, including right to present evidence that all or part of the debt is not past due or legally enforceable;
- 4** Notification of the **debtor's** opportunity to **inspect and** copy the records involved; and
- 5** A mailing address for forwarding any written correspondence **and a** contact name and phone number for any questions.

(e) Annual Certification

- 1 DOE is required to submit to IRS a written certification, along with the debts that are being referred, that certain conditions with respect to each debt have been met. Those conditions **are** stated in paragraph **5b(6)(b)**. Therefore, prior to submitting the debts to the Office of Headquarters Accounting Operations, participating offices must examine each debt to ensure that **it meets the criteria in paragraph 5b(6)(b)** and must **provide written certification to the** Office of Headquarters Accounting Operations that such criteria have been met.
 - 2 Offices must **submit the following information to the Office of** Headquarters Accounting Operations for each debt being referred:
 - a The name and **the identifying** number (social security number),
 - b The **dollar** amount of the past due and legally enforceable debt,
 - c The date on which the debt became past due,
 - d The subagency code, and
 - e The case number used to identify the debtor at the participating office.
 - 3 When refundable credits (usually **resultant** from the filing of a current-year tax return) are processed, **IRS will** transfer to DOE the amount of the obligation or **the amount** of the refund, whichever is less.
- (f) Agency Address File. When an offset **for an obligor** occurs, **IRS will** send an offset notice to the taxpayer **informing** him or her that all or part of the refund has been **applied to** satisfy a past due obligation of another Government agency. All DOE offset notices will identify the Office of Headquarters Accounting Operations office name and address and provide a collect telephone number for the taxpayer to **use in** obtaining information regarding the offset.
- (g) Weekly Updates. Each participating office may submit weekly update **information to** either **delete or** decrease **an obligation** amount, to **correct an** error, or to indicate that an agency **refund or** repayment has been made. An office is not permitted to subsequently increase the amount of past-due legal **ly** enforceable debt owed **by an individual** named in the original referral to **IRS**. In addition, new accounts cannot be added to the debtor master file once the certified annual offset **file is** submitted to IRS.

(h) Administrative Charges and Erroneous Payments .

1 IRS is charging DOE a set amount per offset to cover the Department of the Treasury's costs for administering the program. In accordance with 10 CFR 1015, this administrative charge is to be assessed against the debtor. Therefore, participating offices should add this charge to the amount of each debt being referred. However, collection of this administrative charge is made only from those debtors whose tax refunds actually are offset. IRS will deduct the per offset cost from the amounts collected, thereby eliminating the need for monthly billing, and transfer the balance to DOE. After receiving notification that the offset has been made, the office must assess the offset charge against the debtor by increasing the corresponding account receivable by the amount of the per offset cost, regardless of the amount collected by IRS. Once the funds are received, the account receivable can be decreased by the gross amount collected by IRS.

2 If IRS is notified that it has made an erroneous payment to DOE, IRS will refund the amount to the proper individual and deduct this amount from subsequent offset collections made on DOE's behalf. If DOE is left in a deficit situation because both DOE and IRS refunded an erroneous payment to an individual, DOE shall be responsible for securing any outstanding balances from the individual receiving the duplicate refund if IRS had not been notified during the weekly updates. The office must be sure to reestablish the debtor's account receivable for the amount of the erroneous payment refunded.

3 If during any weekly period the administrative charges and the amounts deducted for erroneous payments exceed the amount collected on behalf of DOE, IRS will bill the net difference to DOE's agency location code.

(7) Use of Credit Reporting Agencies .

(a) Commercial debt that is greater than \$100, or individual (consumer) debt that is greater than \$100 and more than 61 days delinquent, should be reported to a credit reporting agency. Debts of lesser amounts may be reported at the discretion of the Field CFO and the credit reporting agency. Delinquent consumer debt includes delinquent debt from employees. Employees and other consumers must be notified of the Department's intent to use credit reporting agencies 60 days prior to the referral. Debt due from State, local, or foreign government is not reported. Reporting of information on delinquent debts to credit reporting agencies shall be in accordance with the Department of the Treasury's Guide to Credit Bureau Reporting (8-90). The debtor must be provided with specific notice that the report has been made. In reporting individual debts, certain conditions must be met, including providing the individual debtors with that

least **60-day** written **noti** ceoftheIntentto report the debt. **Report-**
ing individual (consumer) debts **in strict** accordance **with the** Office
of Management and Budget (**OMB**)-**Department** of the Treasury **require-**
ments generally ensures compliance with the laws and **rulings**
designed to protect the **rights of individuals**, including the **Privacy**
Act of 1974, as amended (**5 U.S.C. 552a**). (See paragraph **5b(7)(b)** for
additional information on reporting **individual** debts.)

(b) In accordance with **31 U.S.C. 3711(f)(1)**, a **delinquent** individual
debt maybe reported **to a credit** (consumer) reporting agency,
provided the following conditions **are met**:

1 A system-of-records notice indicating that **information** in the
system maybe disclosed **to a** consumer reporting agency has been
published **in the Federal Register (FR)**. (DOE met this requirement
through the 10-13-88 **FR publication of an** amended system-of-
records notice for **DOE-19**, "Accounts Receivable **Financial**
System." The amended system of records, which became effective on
11-14-88, provides for **the disclosure of information on delin-**
quent individual debts to consumer reporting agencies. (For
additional Information on the amended systemof records, **see 53 FR**
40119.)

2 DOEhasrevfewed the debt and determined **that it is valid** and
overdue.

3 The debtor hasnot pafdoragreed to pay the debt under a written
payment plan signed bythe debtor and agreed to **by the Field CFO**.
(See paragraph **5b(12)** for **information on collection in**
Installments.)

4 The debtor hasnot **filed for review of** the debt under paragraph
5b(7)(b)5d.

5 The debtor has been provided written **notification of** the
following:

a That payment of the debt is overdue;

b That within **60 days** after the date of **sending** the notice, DOE
plans **to disclose** to a consumer reporting agency that the
individual is responsible for the debt;

c The **specific** information to be disclosed to the consumer
reporting agency; and

d The right to a complete explanation of the debt (**if** that has not
already been given), to dispute information **in** DOE records
about the debt, andtoan administrative appeal or **review of**

the debt. **Administrative** appeal or review of the debt must be conducted in accordance with the requirements of paragraph **5b(4)**.

- 6** DOE has reconsidered the Initial decision on the debt when the debtor has requested a review under paragraph **5b(7)(b)5d**.
 - 7** The Field **CFO has taken reasonable action** to locate **a debtor** for whom the **finance office** does not have a current address to send the notification provided for under paragraph **5b(7)(b)5**.
 - 8** The information disclosed to the consumer reporting **agency is** limited to the following:
 - a** Information necessary to establish the identity of the debtor, including the name, address, and taxpayer identification number of the debtor;
 - b** The amount, status, and history of the debt; and
 - c** The DOE **activity** or program under which the debt arose.
 - 9** Assurances have been obtained from the consumer reporting agency that the agency is complying with all laws of the United States related to its use of consumer credit information.
- (c) Any change **in the information** associated with the debt must be promptly provided to each credit reporting agency to which the **information** was reported. Care must be taken to ensure that the **information maintained by** the credit reporting **agency is** current and correct. Prompt verification or correction of information **about a** debt must be **provided in** response to a request from a credit reporting agency for verification **of information** previously reported to that agency.
- (d) After the debt has been reported to the credit reporting agency, the debtor may be provided with additional opportunity to settle the debt before its referral to a collection agency. In addition, **consideration** may be given to suspension or revocation of license or eligibility, liquidation of collateral, or installment collections. The debtor must **be notified promptly** of all actions taken.
- (e) Credit reporting agencies also should be used for obtaining credit reports on debtors. **A credit** report may be obtained at anytime after receipt of the knowledge of the claim in order to aid **in making** appropriate determinations on such matters as the following:
- 1** The collection and compromise of a debt:

- 2 The collection of **interest, penalties,** and administrative charges;
 - 3 The **use of** administrative offset;
 - 4 The **use of** other collection tools; and
 - 5 The likelihood of collecting the debt.
- (f) To report **information on** delinquent debts, agreements must be put in place **with** credit reporting **agencies to** establish the conditions for the transfer, storage, protection, and distribution of account information. As an alternative, cross-servicing arrangements may be made with another DOE finance office or another Federal agency that is **willing** to service **the reporting** activity. Credit reports shall be obtained through Federal Supply Schedule contracts **negotiated by** the General Services Administration.

(8) Use of Collection Agencies.

- (a) Use of a collection agency **should be** considered when a debt **becomes 61** days delinquent. When a debt becomes more than 90 days delinquent, normally **it** should be referred **to a** collection agency. Referral to collection agencies does not apply to debts owed by foreign, State, or local governments or where prohibited by statute. When a debt becomes delinquent by **180 days or more,** it shall be referred **to a** collection agency unless it has been referred for litigation or repayment arrangements are being worked out. The debtor shall be provided with specific **notice that** the debt has been referred. (For detailed information on the use of collection agencies, see Treasury Guidelines, dated 1-88.)
- (b) The debt shall be referred to a credit or collection agency in the Federal Supply Schedule (industrial group 732, **part 1,** section B) for professional debt collection services. The referral **process is** performed **in** accordance with provisions **in** the Federal Supply Schedule.
- (c) The cost associated with the collection action taken **by the collection** agency shall be an administrative cost to be borne by the debtor. (See paragraph **5b(13)(a)2a.**)
- (d) Upon referral to a collection agency, no further contact with the debtor shall be initiated by DOE. If a debtor initiates any contact with DOE subsequent to referral, the debtor **should be** referred to the collection agency. However, if the debtor offers to make payment, the finance office may accept the payment. The finance office shall **provide** immediate advice to the collection agency of any collection **received** after referral of a debt.

(9) Use of and Reporting to the Internal Revenue Service.

(a) IRS Addresses. If a debtor cannot be located through the usual search procedures, a written request should be sent to the nearest IRS district office to obtain the taxpayer's mailing address in accordance with 26 U.S.C. 6103(m)(2). A written request to IRS must indicate that it involves a claim for money or property arising out of DOE's activities or referred to DOE. The written request must also state that the information will be used by proper DOE officers, employees, or agents in locating the taxpayer to collect or compromise Federal claim against the taxpayer. The written request to IRS must be signed by the CFO or the Head of Field Element or a designee and must state that authority to collect or compromise a claim has been delegated to that individual. Initial requests signed by the CFO or the Head of Field Element must be accompanied by a copy of the responsibilities assigned to that individual's position (see DOE 2200.4, ACCOUNTING OVERVIEW, Chapter III. "Responsibilities") and a Copy of 10 CFR 1015.5. Initial requests signed by a designee must be accompanied by copies of the foregoing documentation supporting the CFO or Head of Field Element authority, as appropriate, plus a copy of the redelegation of this authority to the designee's position. (For additional information on requests to IRS for taxpayers' addresses, see Disclosure of Official Information Handbook, published by IRS, page 1272-354 (6-17-87), item, 1-27-87.) Mailing addresses obtained from IRS may be disclosed to other agents, including collection service contractors, to facilitate the collection or compromise of debts, except that a mailing address may be disclosed to a consumer reporting agency only for the limited purpose of obtaining a commercial credit report on the particular taxpayer.

(b) Reporting Debt Writeoffs to IRS. Undisputed debt in excess of \$600 due from an individual, partnership, or sole proprietorship that is written off and closed out must be reported to IRS via IRS Form 1099-G, "Statement for Recipients of Certain Government Payments." IRS form 1099-G is available from IRS. (See paragraph 7f for additional information on the 1099-G notice process.)

(10) Suspension or Revocation of License or Eligibility.

- (a) When seeking the collection of a statutory penalty, forfeiture, or debt provided for as an enforcement aid or for compelling compliance, DOE should give serious consideration to the suspension or revocation of licenses or other privileges for any inexcusable, prolonged, or repeated failure of a debtor to pay such a claim, and the debtor should be so advised.
- (b) Any DOE organization making, guaranteeing, insuring, acquiring, or participating in loans should give serious consideration to suspending or disqualifying any lender, contractor, broker, borrower, or

other debtor from doing further business with it or engaging in programs **sponsored by** it if the debtor **fails to** pay its debts to the Government within a reasonable time, and the debtor **should be** so advised.

- (c) The failure of any surety to honor its obligations in accordance with 31 U.S.C. 9305 shall be reported to the Department of the **Treasury** at once. Notification from the Department of the Treasury that a surety's **certificate of authority** to do business with the Federal Government has been revoked or forfeited will be forwarded to all interested agencies.

(11) Liquidation of Collateral.

- (a) If a DOE organization holds security or collateral that may be liquidated and the proceeds **applied** on debts due it through the **exercise of** a power of **sale in** the security instrument or a **nonjudicial** foreclosure, it **should do so by** such procedures if the debtor fails to pay the debt **within a** reasonable time after demand, unless the **cost of disposing** of the collateral will be disproportionate to its **value or** unless special circumstances require judicial foreclosure.
- (b) Collection from other sources, including liquidation of security or collateral, is not a **prerequisite to** requiring payment by a **surety or** insurance concern unless such action is expressly **required by** statute or contract.
- (c) The debtor must be provided with reasonable **notice of the sale**, an accounting of any surplus proceeds, and any other procedures required by contractor law.

(12) Collection in Installments.

- (a) Whenever feasible, and except as otherwise provided by law, debts (including interest, administrative charges, and penalties) should be **collected in** full, in one lump sum. This lump sum collection principle holds true regardless of the method by which debts are collected.
- (b) If a **debtor represents a** financial inability to pay in one lump sum, the debtor should provide DOE with financial statements. **Based on** the information contained in those statements, the Field **CFO**, in coordination with any involved contracting officer, shall evaluate the **debtor's financial** condition and determine whether **installment** payments are acceptable.
- (c) Upon agreeing to installment payments, the debtor and **DOE must** execute a legally enforceable written agreement, signed **by the CFO or a** designee for Headquarters debts **or the head** of the contracting **activity or a** designee for field element debts, that **specifies** all terms of

the arrangement and that contains a provision accelerating the debt in the event that the debtor defaults.

- 1 For amounts that **are scheduled to be repaid in 1 year or less**, the minimum **interest** rate shall be the current value-of-funds rate, unless otherwise specified. For amounts that are **scheduled to be repaid over more than 1 year**, the **minimum** rate shall **be either** the borrowing rate of a Department of the Treasury debt instrument issued **at the time** the repayment agreement **is made and** of the same duration as the scheduled repayments or the current value-of-funds rate, whichever is higher. Borrowing rates for Department of the Treasury debt instruments of **various maturities are pre-**sented in the Federal Reserve Statistical **Release-H.15**, "Selected Interest Rates," published by the Federal Reserve Board. Current Department of the Treasury borrowing rates can **also be obtained by** contacting the Office of Departmental Accounting and Financial Systems Development. The agreement should also state that **admin-**istrative charges and penalties will be assessed on delinquent payments (1 TFM 6-8025.50).
 - 2 The size and **frequency of** installment payments **shoul d**bear a reasonable relation to the size of the debt and **the debtor's** ability to pay.
 - 3 **If possible**, the installment payments should be sufficient in size and frequency to liquidate the claim in not more than **3 years**.
 - 4 Installment payments of **l ess** than \$50 per month should be accepted only if **justifiable on** the **grounds of** financial hardship or for some other reasonable cause.
- (d) When **holding** an unsecured **claim for administrative collection**, the Field **CFO** should attempt **to obtain** an executed confess-judgment note from **a debtor** when the total amount of the deferred **instalments** will exceed \$750. **A confess-judgment** note also maybe sought when an unsecured obligation of **\$750 or less is invol**veal. (A confess-judgment note prepared by **the Department** of Justice as an agency references **included in** this chapter as Attachment **III-1**.) The Field **CFO**, however, should obtain appropriate counsel approval of the actual confess-judgment note that will be used prior to execution of any such note.
- 1 When DOE attempts to obtain **a confess-judgment** note, the debtor shall **be provided with** a written explanation of the consequences of **signing** the note, and the finance office should maintain **docu-**mentation sufficient to demonstrate that the debtor signed the note knowingly and voluntarily.
 - 2 Security for deferred payments other than a confess-judgment note maybe accepted in appropriate cases.

3 At the option of the Field CFO, installment payments maybe accepted notwithstanding the refusal of a debtor to execute a confess-judgment note or to give other security.

(e) If the debtor owes more than one debt and designates how a voluntary installment payment is to be applied among those debts, that designation must be followed. If the debtor does not designate the application of the payment, the payment shall be applied to the various debts in accordance with the best interest of the United States, as determined by the facts and circumstances of the particular case, paying special attention to applicable statutes of limitations.

(13) Interest, Administrative Charges, and Penalties.

(a) Assessment of Additional Charges. Additional charges (specifically, interest, administrative charges, and penalties) shall be assessed on debts owed to DOE in accordance with the provisions of 31 U.S.C. 3717. Additional charges may not be assessed for periods during which collection action must be suspended when a statute mandating waiver or review applies (4 CFR 102.13(h)). Interest, however, continues to accrue on indebtedness under an acquisition or financial assistance instrument while such indebtedness is in the formal appeal process or in litigation. (See paragraph 5d(1)(c) for information on suspension of collection action while a request for waiver or administrative review is pending). Generally, additional charges are assessed in 30-day increments, and payment of the full amount of the delinquent debt (principal plus any additional charges) within 30 days of a followup demand is considered payment in full.

1 Interest shall be assessed on amounts received more than 30 days after the date of the invoice.

a Interest is assessed on principal only, not on interest, administrative charges, or penalties, except when a debtor has defaulted on a previous repayment agreement or a judgment has been obtained.

b The Department of the Treasury current value-of-funds rate shall be the rate used for interest assessment unless a higher rate of interest is necessary to protect the interest of the Government. Use of a higher rate of interest to protect the interest of the Government requires prior written approval by the CFO.

c The initial interest rate charged shall remain in effect for the duration of the indebtedness unless a different rate is prescribed in the repayment schedule.

d Interest is calculated based on a 365-day year except in a leap year, when it is calculated based on a 366-day year.

e Interest begins to accrue on the date **the invoice is** mailed, hand-delivered, or otherwise transmitted to the debtor and continues to accrue **until payment is** received. Interest shall be waived on the debtor any portion of **the debt paid within 30** days after **the invoice** date. Interest maybe waived beyond **this period**, on a case-by-case basis, at the **discretion of** the **CFO or the** Head of the Field Element or a designee. (See **para-graph 5b(13)(c)** for further information on **waiver of** interest.)

2 **Administrative Charges** shall be **assessed on** all delinquent debts.

a The amount of **administrati** recharges **assessed is** based on the additional administrative costs incurred for servicing the delinquent debt. Therefore, costs incurred **before an** account has become delinquent should not be included in the amount determination, because **there is** no statutory authority to recover these costs. Calculation of **administrati** vecosts should be based upon actual costs incurred or upon cost **analy-ses** establishing an average of actual additional costs incurred by the field element **in** processing and handling claims against other debtors in similar stages of delinquency. Any costs incurred in obtaining credit reporting or collection agency services should be included.

b These charges are first assessed on the date when the debt becomes delinquent (see paragraph **3d(3)(a)**), and they continue to be assessed with each subsequent demand for payment.

3 **Penalties** shall be **assessed on** any principal portion of a debt that is delinquent for more than **90 days**.

a A penalty of **6 percent per** annum is assessed on any portion of a debt that **is 91 or** more days delinquent.

b When the debt **is 91 or** more days delinquent, the penalty charge is accrued and assessed from the initial date the debt became delinquent, that is, the day after the due date **on the invoice**, through **the date of each followup** demand for payment. If partial payment is received, the penalty **is** accrued only on the unpaid principal portion of the debt that is still delinquent.

(b) **Recording of Additional Charges**. Additional charges **should be** recorded when such charges are billed to the debtors.

(c) **Waiver of Additional Charges**. The **CFO or the Head of** the Field Element or a **designee** may waive the collection of **additional** charges

(Interest, penalties, and administrative charges) within the following **guidelines**:

- 1** If full or partial **payment is** received **within 30** days of the invoice date, the associated **interest shall** be automatically waived.
- 2** Interest due **and collectible** on accounts paid within a reasonable period **of time**, usually no more than **5 days**, after the due date may **be waived**.
- 3** If there is a request for reconsideration, administrative review, **or waiver** of the underlying debt **under a** permissive statute, Interest and other charges may be waived **while the request is** pending. (See paragraph **5d(1)(c)** for **information on** requests for waiver or administrative review.)
- 4** Interest may **also be waived if** an installment repayment **is in** effect and if levying Interest may jeopardize collection of the principal.
- 5** Additional charges may **be waived** when it is determined **that collection** of the charges would **be against** equity or good conscience, not cost-effective, **or otherwise** not **in** the best interest of the United States.

(d) **Exemptions.**

- 1** The provisions of **31 U.S.C. 3717** do not apply to the following:
 - a** Debts owed by any State or Local government;
 - b** Debts arising under contracts that were executed before and **were in** effect on 10-25-82;
 - c** Debts for **which an applicable statute, regulation required by** statute, loan agreement, or contract **either prohibits** such charges **or explicitly** fixes the charges that apply to the debts involved; or
 - d** Debts **arising** under **the Social Security Act**, the Internal Revenue Code of 1954, or the tariff laws of the United States.
- 2** Additional charges should be reassessed on debts that are not subject **to 31 U.S.C. 3717** to the extent authorized under common law or other applicable statutory authority or under specifically negotiated contracts, such as power marketing contracts, where late-payment charges shall be assessed according to contract terms. If an exempted debt becomes seriously delinquent and there is **doubt as** to whether authority exists to assess interest or other

charges, the Field CFO should request a **determination**, from the Office of General Counsel (**GC-1**) at Headquarters or from the **office of** chief counsel of the field location. as to whether Interest or other charges can reassessed.

- c. **Standards for Compromise of Claims**. Before referral to the Department of Justice for litigation, the CFO for Headquarters **claims and Heads of Field Elements** for field element claims or their designees, in consultation with designated counsel, may compromise claims for money or property arising **out of** Departmental **activities** where the claims, exclusive of interest, **penalties**, and administrative costs, do not exceed **\$100,000** (31 U.S.C. 3711). Claims in excess of **\$100,000** maybe compromised only by the Department of Justice (31 U.S.C. 3711). If DOE has evaluated **a compromise offer on a claim** that exceeds **\$100,000 and wishes to accept it**, the CFO or the Head of the Field Element or a designee must refer **the matter** to the Department of Justice (10 CFR 1015.5(d)). Further **redelegation** by the CFO or Head of Field Element of the **authority to** compromise **claims** and refer proposed compromises to the Department of Justice to **a designee must be in writing**. The written **redelegation** must indicate clearly **the designee**, preferably **by title or position**, and **the limits** of the redelegate **authority**. Only the Comptroller General **or a designee** may **compromise** a claim that arises **out of an** exception made by GAO in the account of an accountable officer, **including** a claim against the payee, before its referral **for litigation**. (For further information on the referral **of claims to the** Department of **Justice or GAO**, see paragraph 5e.)

- (1) **Factors for Consideration in Compromising a Claim**. Claims may be **compromised** based on **one or more of** the following factors. All compromise offers should be evaluated in light of these factors.

(a) **Inability To Pay**.

- 1 **A debt may be compromised if** the debtor is unable **to pay** the full amount **within a reasonable time**. In **determining** the debtor's **inability** to pay. **consider** the following factors, among others: **the debtor's** age and health, present and potential **income**, and inheritance prospects: the **possibility** that the debtor has **concealed** or improperly transferred assets: and the **availability** of assets **or income** that may be realized by enforced collection proceedings.
- 2 **A debt may be compromised upon the refusal of the debtor to pay the claim in full and DOE's inability to enforce collection in full within a reasonable time by enforced collection proceedings.** Consideration **should be given to the applicable** exemptions available to the debtor under State and Federal laws in determining DOE'S ability to enforce **collecti on**. Uncertainty **as to** the price that collateral or other property will bring at forced sale may properly reconsidered in **determining DOE's** ability to enforce collection. A compromise effected on this basis should **be for an**

amount that bears a reasonable relation to the amount that can be recovered by enforced collection procedures, having regard for the exemptions available to the debtor and the time that collection will take.

3 If DOE files do not contain reasonably up-to-date credit **information as a basis** for assessing a compromise proposal, such **information** maybe obtained from the individual debtor by obtaining a statement executed under penalty of perjury showing the debtor's assets, liabilities, income, and expenses. **A form**, such as Department of Justice Form **OBD-500**, "Financial **Statement of Debtor**," or **OBD-500B**, "Financial Status," maybe used for this purpose. Similar data maybe obtained from corporate debtors, using a form, such as Department of Justice Form **OBD-500C**, "Financial **Statement of Corporate Debtor**," or by resorting to balance sheets and additional data as required. Copies of the Department of Justice forms maybe obtained by contacting the Office of Financial Policy.

- (b) **Litigative Probabilities**. **A debt** maybe compromised if **there is** real doubt concerning **DOE's ability** to prove its case in court for the full amount claimed, either **because of** the **legal** issues involved or **because of a bona fide dispute as to** the facts. The amount accepted in **compromise in** such a case should fairly reflect the probability of **prevailing on** the legal question involved: the probabilities with respect to full or partial recovery **of a judgment**, paying due regard to the **availability of** witnesses and other **evidentiary** support for **DOE's claim**; and related pragmatic **considerations**. In determining **the litigative** risks involved, proportionate weight **should be** given to the probable amount of court costs and attorney fees pursuant to the Equal Access to Justice Act that may be assessed against the Government **if it** is unsuccessful in litigation (see 28 U.S.C. 2412).
- (c) **Cost of Collecting Claim**. **A debt** maybe compromised if the cost of collecting the claim does not justify the enforced collection of the full amount. The amount accepted in compromise in such a case may **reflect an** appropriate discount for the administrative and **litigative** costs of collection, paying heed to the time **it will take** to effect collection. Costs of collecting **may be a** substantial factor in the **settlement of** small claims, but normally will not carry great weight in the settlement of large claims. In determining whether the cost of collecting justifies enforced collection of the full amount, it is illegitimate to consider the positive effect that enforced **collection** of some claims may have on the collection of other claims. Since debtors are more likely to pay when first requested to do so if **DOE has** a policy of vigorous collection **of all** claims, the fact that the cost of collection of anyone claim may exceed the amount of the claim does not necessarily mean that the claim **should be** compromised. The practical benefits of vigorous collection of a small claim may include a demonstration to other debtors that resistance to payment **is not likely to** succeed.

- (d) **Enforcement Policy** Statutory penalties, forfeitures, or debts established as an aid to enforcement and to compel compliance may be compromised if DOE's enforcement policy in terms of deterrence and securing compliance, both present and future, is adequately served by acceptance of the sum to be agreed upon. Mere accidental or technical violations may be dealt with less severely than willful and substantial violations.
- (2) **Installment Payments.** Compromises payable in installments should be discouraged. However, if payment of a compromise by installments is necessary, a legally enforceable written agreement for the reinstatement of the prior indebtedness, less sums paid thereon, and acceleration of the balance due upon default in the payment of any installment should be obtained, together with security in the manner set forth in paragraph 5b(12), in every case in which this is possible.
- (3) **Joint and Several Liability.** When two or more debtors are jointly and severally liable, collection action shall not be withheld against one such debtor until the other or others pay their proportionate shares. No attempt should be made to allocate the burden of paying such claims among the debtors; rather, DOE should proceed to liquidate the indebtedness as quickly as possible. Care should be taken that a compromise agreement with one such debtor does not release DOE's claim against remaining debtors. The amount of a compromise with one such debtor shall not be reconsidered a precedent or morally binding in determining the amount that will be required from other debtors jointly and severally liable on the claim.
- (4) **Further Review of Compromise Offers.** If DOE holds a debtor's firm written offer of compromise that is substantial in amount and if the Department is uncertain as to whether the offer should be accepted, it may refer the offer, the supporting data, and particulars concerning the claim to GAO or the Department of Justice. GAO or the Department of Justice may act upon such an offer or return it to DOE with instructions or advice. (See paragraph 5e for additional information on referrals to the Department of Justice or GAO.)
- (5) **Restrictions.** Neither a percentage of a debtor's profits nor stock in a debtor corporation may be accepted in compromise of a claim. In negotiating a compromise with a business concern, consideration should be given to requiring a waiver of the tax-loss carryforward and tax-loss carryback rights of the debtor.
- d. **Standards for Suspending or Terminating Collection Action.** Before referral to the Department of Justice for litigation, the CFO or designee for Headquarters claims and the Heads of Field Elements or designees for field element claims may suspend or terminate collection action on claims for money or property arising out of Departmental activities where the claims (exclusive of interest, penalties, and administrative costs) do not exceed \$100,000 (31 U.S.C. 3711). However, for claims that are plainly erroneous or clearly without legal merit, the CFO for Headquarters claims or the Heads of Field Elements for field element

claims may terminate collection action regardless of the amount involved, without the need for Department of Justice concurrence. The Comptroller General or designee may exercise this authority with respect to claims referred to GAO before their further referral for litigation. Collection **action on** claims in excess of the \$100,000 threshold can only be resuspended or terminated by the Department of Justice (31 U.S.C. 3711). If it is determined that suspension or termination of collection action is appropriate on a claim that exceeds \$100,000, such action must be referred to the Department of Justice for approval (10 CFR 1015.5(d)). **Redelegation by the CFO** or Head of Field Element of the authority to suspend or terminate collection action on claims or recommend suspension or termination to the Department of Justice must be in writing. The written **redelegation** of authority must clearly indicate the designee, preferably by title or position, **and the limits of the redelegated** authority. (For further information on the referral of claims to the Department of Justice or GAO, see paragraph 5e.) Termination of collection action on a claim does not preclude reinstatement of collection action, should it **be warranted**.

(1) **Suspension of Collection Activity.** Collection activity may be suspended under the following circumstances:

(a) **Inability To Locate Debtor.**

- 1 When DOE cannot locate a debtor after diligent effort, the Department may temporarily suspend collection **action on the claim if there is** reason to believe that future collection action may be sufficiently productive to justify periodic review and action on the claim, with due consideration for its size and the amount that may be realized. Suspension of collection action against a particular debtor should not defer the early liquidation of security for the debt.
- 2 The following sources may assist in locating missing debtors: telephone directories; city directories; postmasters; driver's license records; automobile title and registration records; State and local government agencies; IRS district directors (see paragraph 5b(9)(a)); other Federal agencies; employers, relatives, and friends; and credit reporting and collection agencies.
- 3 Every reasonable effort shall be made to locate missing debtors **sufficiently in** advance of the bar of the applicable statute of limitations (for example, 28 U.S.C. 2415) to permit the timely filing of suit if such action is warranted.
- 4 If the missing debtor has signed a confess-judgment note and is in default, referral of the note for the entry of judgment should not be delayed because the debtor is missing.

(b) **Financial Condition of Debtor.** Collection action **may also be suspended temporarily on a claim when** the debtor owns no substantial equity in realty or personal property and is unable to make payments

on the claim or effect a compromise at the time, but the debtor's future prospects justify retention of the claim for periodic review and action, and:

- 1 The applicable statute of limitations has been tolled or started running anew:
- 2 Future collection can be effected by offset, notwithstanding the statute of limitations, with due regard **to the 10-year** limitation prescribed by **31 U.S.C. 3716(c)(1)**; or
- 3 The debtor agrees to pay interest on **the amount** of the debt on which collection action will be temporarily suspended, and such temporary suspension is likely to enhance the **debtor's** ability to pay the principal amount of the debt with interest at a later date.

(c) Request for Waiver or Administrative Review

- 1 If the statute under which waiver or administrative **review is sought is** "mandatory" (that is, if it prohibits DOE from collecting the debt before the Department considers the request for **waiver or review**), then collection action **must be** suspended until either DOE has considered the request for waiver **or review** or the specified time limit for making the **waiver or review** request has expired and the debtor, upon proper notice, has not made such a request.
- 2 If the applicable **waiver or review** statute is "permissive" (that is, if it does not require that all requests for waiver or review be considered and if it does not prohibit collection action pending **consideration of a waiver** or review request (for example, **5 U.S.C. 5584**)), collection action may be suspended pending action **on a waiver or review** request based upon appropriate consideration, on a case-by-case basis, of the following:
 - a Whether there **is a reasonable possibility** that a **waiver** will be granted or that the debt (in whole **or in part**) will be found not owing from the debtor:
 - b Whether **DOE's interests** would be protected, if suspension were granted, by reasonable assurance that the debt could be recovered if the debtor does not prevail; and
 - c Whether collection of the **debt will** cause proven undue hardship of the debtor.
- 3 If the applicable statutes and regulations would not authorize refund to the debtor of amounts collected before consideration of the **debtor's** waiver or review request in the event that DOE acts favorably on it, collection action should ordinarily be resuspended

(without regard to the factors specified in paragraph 5d(1)(c)2) unless it appears clear, based on the request and the surrounding circumstances, that the request is frivolous and was made primarily to delay collection.

- (d) **Bankruptcy.** Immediately upon receiving notice that a debtor has filed for bankruptcy, take action to protect the Government's interest.
- 1 If the debtor has not been referred to the Department of Justice, take appropriate steps to file a claim with the court having jurisdiction over the bankruptcy. If the debt has been referred to the Department of Justice, immediately forward a copy of the notice of bankruptcy to the Department of Justice.
 - 2 If the information of record does not disclose whether there will be assets for distribution, address an inquiry to the clerk of the appropriate court to ascertain the amount of assets and liabilities of the bankrupt.
 - 3 Offset or request to have offset any amounts due the debtor that were earned before the date the petition in bankruptcy was filed and that are available for application to the debt. Amounts in excess of that required to satisfy known Government debts should be paid to the receiver, trustee, assignee, etc., as appropriate.
 - 4 After complete development of all the facts and circumstances, if there is a doubtful question of law or fact concerning the debt, the liability of the debtor, or the entitlement to any amounts payable, promptly transmit the notice of bankruptcy and a complete report to the Department of Justice.
 - 5 Prepare a proof of claim with necessary documentation, as appropriate, and refer it to the Office of General Counsel at Headquarters or the office of the chief counsel at the field location.
- (2) **Termination of Collection Activity.** Collection of claims may be terminated under the following standards:
- (a) **Inability To Collect Any Substantial Amount.** Collection action on a claim may be terminated when it becomes clear that the Government cannot collect or enforce collection of any significant sum from the debtor. In deciding to terminate such cases, consider the judicial remedies available to the Government, the debtor's future financial prospects, and the exemptions available to the debtor under State and Federal laws. In determining the debtor's inability to pay, consider the following factors, among others: the debtor's age and health, present and potential income, and inheritance prospects; the possibility that the debtor has concealed or improperly transferred

assets; and the available **ability** of assets or income that may be realized by enforced collection proceedings.

- (b) **Inability To Locate Debtor**. Collection action on a claim may be terminated when the debtor cannot be located and there is no security remaining to be liquidated or the applicable statute of limitations has run and the prospects **of collecting** by offset, notwithstanding the bar of the statute of limitations, are too remote to justify retention of the claim.
- (c) **Cost Will Exceed Recovery**. Collection action on a claim may be terminated when it is likely that the cost of further collection action will exceed the amount recoverable.
- (d) **Claim Legally Without Merit**. Collection action should be terminated immediately upon determination that the claim is without legal merit.
- (e) **Claim Cannot Be Substantiated by Evidence**. Collection action should be terminated on a claim for which the evidence necessary to prove the claim **cannot be** produced or the necessary witnesses are unavailable and efforts to induce voluntary payment are unavailing.

- (3) **Transfer of Claims**. When there is doubt about whether to suspend or terminate collection action on a claim, refer the **claim** to GAO or the Department of Justice, as appropriate, for advice. In some cases for which **termination** of collection action might **otherwise be** considered under paragraph 5d(2)(a) or (c), claims are referred for litigation **because a** significant enforcement policy is involved in reducing a statutory penalty or **forfeiture** to judgment. This also applies to cases in which recovery **of a judgment is a prerequisite to** imposing administrative sanctions, such as suspending or revoking a license or the privilege of participating in a Government-sponsored program. Refer claims for which DOE holds a judgment by **assignment or** by other means to the Department of Justice for further action if renewal of the judgment lien or enforced collection proceedings are justified under the criteria discussed in paragraphs 5d(1) and (2). (Additional information on referrals to GAO and the Department of Justice may be found in paragraph 5e.)

- e. **Referral of Claims to the Department of Justice or the General Accounting Office for Review or Litigation**. The CFO and the Heads of Field Elements, in coordination with the General Counsel, are **responsible** for timely referral of claims to the Department of Justice or GAO for review or litigation. The Field CFO's, in coordination with designated counsel, shall prepare the referral package. The CFO or the Head of Field Element or a designee **shall** submit the referral package either directly or indirectly, through the Office of General Counsel at Headquarters or the office of the chief counsel at the field location, to the Department of Justice or GAO, as appropriate.

(1) Determination of Referral Point.

- (a) Department of Justice Referrals. Except as provided in paragraph 5e(1)(b), all claims on which aggressive administrative collection action has been taken, as specified in paragraph 5b, which cannot be compromised or on which collection action cannot be resuspended or terminated under paragraphs 5c and d, shall be referred to the Department of Justice for litigation. Claims that have been referred for litigation remain official DOE receivables. Any amounts collected by the Department of Justice against these referred claims are deposited with the Department of the Treasury for credit to DOE. Claims in excess of \$100,000, exclusive of interest, penalties, and administrative costs, on which DOE is recommending compromise, suspension, or termination, also must be referred to the Department of Justice for approval, as noted in paragraphs 5c and d. However, as noted in paragraph 5d, DOE may terminate collection action without Department of Justice concurrence in a case in which the claim is plainly erroneous or clearly without legal merit, regardless of the amount involved. When the merit of DOE's claim; the amount owed on the claim; or the propriety of acceptance of a proposed compromise, suspension, or termination is in doubt and the claim, exclusive of interest, penalties, and administrative costs, exceeds \$100,000, the matter shall be referred to the Department of Justice for resolution and instructions prior to proceeding with collection action or referral for litigation. Furthermore, claims where there are indications of fraud, presentation of a false claim, or misrepresentation on the part of the debtor or any other party having an interest in the claim shall be promptly referred to the Department of Justice. Referrals to the Department of Justice shall be directed as follows:

1 Referrals for Litigation.

- a Claims Over \$500,000. Any claim for which the gross original amount is over \$500,000 shall be referred to:

Commercial Litigation Branch
Civil Division
Department of Justice
Washington, DC 20530

- b Claims of \$500,000 or Less. Any claim for which the gross original amount is \$500,000 or less shall be referred to the U.S. attorney at the following address:

Department of Justice
Central Intake Facility
1110 Bonifant Street
Suite 220
Silver Spring, MD 20910-3312

c Claims of Less than \$600. A claim of less than \$600, exclusive of interest, penalties, and administrative costs, shall not be referred for litigation unless one of the following conditions is met:

i Referral is important to a significant enforcement policy, or

ii The debtor has the clear ability to pay the claim and the Government can effectively enforce payment, having due regard for the exemptions available to the debtor under State and Federal laws and the judicial remedies available to the Government.

2 Other Referrals. Any claim for which there is an indication of fraud, presentation of a false claim, or misrepresentation and any claim in excess of \$100,000, exclusive of interest, penalties, and administrative costs, where DOE is recommending compromise, suspension, or termination or where doubt exists as to the merit of the claim, the amount owed, or the propriety of acceptance of a proposed compromise, suspension, or termination shall be referred to:

Commercial Litigation Branch
Civil Division
Department of Justice
Washington, DC 20530

(b) w Referrals. In the following situations, referral or preliminary referral of claims shall be made to GAO:

1 Audit Exceptions Taken by GAO. Claims arising from audit exceptions taken by GAO to payments made by DOE must be referred to GAO for review and approval prior to referral to the Department of Justice for litigation. Furthermore, only the Comptroller General may effect the compromise of a claim that arises out of an exception made by GAO in the account of an accountable officer, including a claim against the payee, before its referral to the Department of Justice for litigation.

2 Doubtful Cases. Claims of \$100,000 or less, exclusive of interest, penalties, and administrative costs, where doubt exists as to the merit of the claim; the amount owed; or the propriety of acceptance of a proposed compromise, suspension, or termination, shall be referred to GAO for resolution and instructions prior to collection action or referral to the Department of Justice for litigation.

3 Interagency Claims that cannot be resolved by negotiation between the involved agencies should be referred to GAO for resolution.

- (2) **Timing of Referrals for Litigation.** Referrals for litigation should be made as early as possible, consistent with aggressive collection action and observance of the requirements contained in this chapter, and, in any event, well within the period for bringing a timely suit against the debtor, with due regard to the statute of limitations. Ordinarily, referrals should be made within 1 year of final determination of the fact and the amount of the debt.
- (3) **Subsequent Debtor Contact.** Once a claim has been referred to GAO or the Department of Justice, DOE shall refrain from having any contact with the debtor and shall direct the debtor to GAO or the Department of Justice, as appropriate, when the debtor raises questions about the claim. GAO or the Department of Justice, as appropriate, shall be notified immediately of any payments received from the debtor subsequent to referral of a claim.
- (4) **Claims Referral Methods.**
 - (a) **Referral to the Department of Justice.** Unless an exception has been granted by the Department of Justice in consultation with GAO, the Claims Collection Litigation Report (CCLR), which was officially implemented by GAO on 1-20-83, shall be used with all referrals, either for litigation or to obtain approval with respect to compromise, suspension, or termination of a claim. (Copies of the CCLR may be obtained from the Office of Chief Financial Officer or the local U.S. attorney's office.) As required by the CCLR, the following information shall be included:
 - 1 **Report of Prior Collection Actions.** A checklist or brief summary of the actions previously taken to collect or compromise the claim shall be forwarded with the claim upon its referral. If any of the administrative collection actions enumerated in paragraph 5b have been omitted, the reason for omission must be provided. GAO, the U.S. attorney, or the Civil Division of the Department of Justice may return claims at its option when there is insufficient justification for the omission of one or more of the administrative collection actions.
 - 2 **Current Address of Debtor.** The current address of the debtor or the name and address of the agent for incorporation upon whom service may be made shall be provided. Reasonable and appropriate steps must be taken to locate missing parties in all cases. Referrals to the Department of Justice for the institution of foreclosure or other proceedings in which the current address of any party is unknown must be accompanied by a listing of the prior known addresses of the party and a statement of the steps taken to locate that party.
 - 3 **Credit Data.** Reasonably current credit data indicating that there is a reasonable prospect of effecting enforced collection from the debtor, having due regard for the exemptions available to the

debtor under State and Federal laws and the judicial remedies available to the Government, shall be included.

- a** Such credit data may take the form of a commercial credit report; an agency investigative report showing the debtor's assets, liabilities, income, and expenses; the individual debtor's own financial statement executed under penalty of perjury reflecting the debtor's assets, liabilities, income, and expenses; or an audited balance sheet of a corporate debtor.
- b** Such credit data may be omitted if:
- i** A surety bond is available in an amount sufficient to satisfy the claim in full;
 - ii** The forced sale value of the security available for application to the Government's claim is sufficient to satisfy the claim in full;
 - iii** DOE wishes to liquidate loan or other collateral through judicial foreclosure but does not desire a deficiency judgment;
 - iv** The debtor is in bankruptcy or receivership;
 - v** The debtor's liability to the Government is fully covered by insurance, in which case DOE shall furnish such information as it can develop concerning the identity and address of the insurer and the type and amount of insurance coverage; or
 - vi** The nature of the debtors such that credit data are not normally available or cannot reasonably be obtained, as in the case of a unit of State or local government.

(b) **Referral to GAO.** Referrals of claims to GAO as required by paragraph 5e(1)(b) shall be in accordance with the instructions, including monetary limitations, contained in the GAO Policy and Procedures Manual for Guidance of Federal Agencies and in paragraph 5e(4)(a).

- (5) **Preservation of Evidence.** Care must be taken to preserve all files, records, and exhibits on claims referred or to be referred to the Department of Justice for litigation or to GAO. Under no circumstances shall original documents be sent to the Department of Justice, to the U.S. Attorney, or to GAO without specific prior approval of the Department of Justice, the U.S. Attorney, or GAO. Copies of relevant documents should be sent whenever necessary.
- (6) **Followup.** Action should be taken periodically to determine the status of referred claims. Some suggested followup frequencies are as follows: at

least monthly for recommended compromises and doubtful claims and at least quarterly for recommended suspensions or terminations and **claims** referred for litigation.

6. **ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES.**

- a. **General.** In accordance with general **ly accepted** accounting **principles and** practices and pursuant **to title 2 of the** GAO Manual . allowance **for uncollectible** receivables should be **used to** reflect the estimated losses that may occur from amounts reflected in the receivable accounts. The allowance account should be reviewed periodically (preferably, each month) to ensure that adequate provisions have been made to cover the estimated losses.
- b. **Estimation Methods.** The allowance for **uncollectible receivables** may be **established by** using the **specific identification** method or the general allowance method, or **a combination** of the two. In each method, an objective analysis must be performed, considering all outstanding non-Federal receivables: the ages of the receivables; referrals **to GAO**, the Department of Justice, and commercial collection agencies; and past experiences. In addition, the selected method should be documented and should be consistently applied from year to year unless current circumstances justify a change in method. When a method is changed, the Field **CFO** should prepare and maintain documentation of the justification.
 - (1) **Specific Identification Method.** The specific identification method is preferable for finance offices with low volumes of receivables. Review each account to determine its ultimate collectibility and establish the allowance account based on that review. The review should consider general credit knowledge about the debtor, potential administrative offset alternatives, and cost-effectiveness of pursuing the collection of the receivable. The allowance account **shou**ld then reflect an estimate of the portion of all receivables on the books that will ultimately prove to be uncollectible.
 - (2) **General Allowance Method.** The general allowance method is appropriate when detailed review of each delinquent account is impractical and **unnecessary** due to the high **volume of** receivables. The estimate developed by this method should be based on past experiences and trend analysis. This methodology may include several variations, as in the following examples:
 - (a) Percentage of receivable losses relative to monthly gross **sales of** goods or services. The percentage of receivable losses **relative to** gross sales may be based on an average of the past **5 years**.
 - (b) Full provision to cover the possible loss of all receivables that are more than **6 months** delinquent.

(c) Percentage of delinquent accounts, as hypothetically shown below:

<u>Days Past Due</u>	<u>Balance</u>	<u>Percent</u>	<u>Amount</u>
0-60	\$2,045.00	0.5	\$10.23
61-90	3,995.58	2	79.91
91-120	0.00	8	0.00
Over 120	<u>+ 50.00</u>	12	<u>+ 18.00</u>
	Total: <u>\$6,190.58</u>		Total: <u>\$108.14</u>

7. UNCOLLECTIBLE RECEIVABLES.

- a. **General.** Every effort should be made to identify at the earliest possible time the receivable accounts or portions thereof that are uncollectible through available means in order to terminate collection activity or reach a compromise on the amount of the debt that can be collected. Debts for which collection action has been terminated and amounts that have been compromised shall be promptly written off the DOE accounting records. A written-off debt may be retained for offset or screening purposes until such time as it is closed out and reported to IRS as debtor income (see paragraph 7f for further information on reporting written-off receivables to IRS). Closeout occurs when the Field CFO determines that additional future collection actions on a written-off debt would be futile.
- b. **Authority.** As specified in paragraphs 5c and d, the authority to compromise or terminate collection action on claims that do not exceed \$100,000 and to recommend such actions to the Department of Justice on claims that exceed the \$100,000 threshold rests with the CFO for Headquarters claims or the Heads of Field Elements for field element claims. DOE may need to refer an account to the Department of Justice for its concurrence on compromising or terminating collection action on claims (where such concurrence is required), but the authority to write off claims as administratively uncollectible rests with the CFO for Headquarters claims and Heads of Field Elements for field element claims, regardless of the dollar amounts involved (10 CFR 1015.5(b)). Further redelegation of CFO or Head of Field Element authority to write off claims to a designee must be in writing. The written redelegation 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 that the write off of progressively higher amounts be authorized by progressively higher officials. The signatures of all officials participating or concurring in each write off decision shall be obtained before the debt is written off.
- c. **Timeliness.** Reviews of delinquent receivables to identify and write off uncollectible receivables should be accomplished on a monthly basis. In most cases, unless the receivables have been referred to GAO, the Department of Justice, or commercial collection agencies, determination for write off should be accomplished within 6 months from the date of invoice. Periodic followup with the Department of Justice, at least monthly for referred compromises and

at least quarterly for referred terminations, should be performed to determine the status of offending compromises and terminations and encourage Department of Justice determinations so that, if appropriate, uncollectible amounts involved can be rewritten off.

- d. **Documentation.** Compromised amounts and administratively uncollectible receivables on which collection action has been terminated and on which the Department of Justice has closed its files shall be recorded in a manner sufficient to support writeoff. This includes written approval to writeoff the compromised amount or receivable and the signatures of all officials participating or concurring in the writeoff decision and retention of the approval and signatures with the applicable compromised or written-off receivable.
- e. **Writeoff.** Compromised amounts and uncollectible receivables that have been approved for writeoff shall be recorded in the accounting records in accordance with entries prescribed in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES, Chapter III, "Accounting Entries."
- f. **Report of Written-Off Receivables.** DOE is required to report to IRS any undisputed principal amount in excess of \$600 due from an individual, partnership, or sole proprietorship that has been written off and closed out. Amounts of \$600 or less may be reported. Related administrative costs and (to the extent that they are not tax deductible by the debtor) interest costs also must be reported. This reporting requirement does not include any obligation discharged in a title 11 bankruptcy case for a debtor known to be insolvent, or for a qualified business indebtedness. The writeoff is reported on IRS Form 1099-G, "Statement for Recipients of Certain Government Payments." The debtor must be provided with a copy of Form 1099-G or a written statement of the impending 1099-G report by 1-31 of the year following writeoff of the debt. The 1099-G must be sent to IRS by 2-28 of the same year. No additional collection action may be taken by DOE after issuing the Form 1099-G; however, voluntary repayment of the debt may be accepted. Each accounting office shall maintain adequate manual or automated records to facilitate the preparation of IRS Form 1099-G. However, because IRS Form 1099-G requirements are subject to change from year to year, updated information on current IRS requirements is a prerequisite for the preparation of each year's reports. The 1099-G reporting requirements also covered in DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING, Chapter III, "External Reporting."
- g. **Reinstatements and Collections.** Upon receipt of a collection against a written-off receivable, the receivable account should be reestablished. The collection is then processed in the same manner as it would have been if the receivable had never been written off. (For information on the accounting entries for reestablishment of a receivable, see DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES, Chapter III, "Accounting Entries.") If a collection is received after a receivable has been referred to GAO, the Department of Justice, or a collection agency, inform the appropriate office as soon as possible.

FORMAT FOR PROMISSORY NOTE CONTAINING AGREEMENT FOR JUDGMENT

[Amount]

[Date]

For value received, I (we together and individual ly) promise to pay the sum of \$ _____ with interest at the yearly rate of _____ % in monthly payments of \$ _____. The installments, made payable to U.S. Department of Energy, are to be delivered to:

[Complete mailing address of finance office]

or are payable at the [finance office location] of the U.S. Department of Energy and are due on or before the [5th] day of each month until the balance is fully paid.

If any installment payment is received more than ten (10) days after it is due, the entire amount of this debt will become immediately due and payable at the option of the U.S. Department of Energy.

Any time after this debt becomes due and payable, I permit any U.S. attorney, assistant U.S. attorney, or attorney of record to appear for me and to have the court clerk administratively enter judgment against me in any court. The judgment will be for the entire amount of this debt, with interest, less payments actually made. IN ADDITION, I WAIVE BOTH THE RIGHT TO BE NOTIFIED AND THE RIGHT TO BE GIVEN COURT PAPERS AND HEREBY CONSENT TO HAVE A JUDGMENT ENTERED AGAINST ME FOR THE UNPAID BALANCE OF THE DEBT. FURTHER, I AGREE TO WAIVE MY RIGHTS TO HAVE THE CASE BROUGHT IN MY LOCAL COURT, TO RELEASE ANY ERRORS THAT MAY INTERVENE IN ENTERING A JUDGMENT AGAINST ME OR IN ISSUING JUDGMENT PAPERS OR PROCEDURES, AND TO CONSENT TO THE RIGHTS OF ENTRY AND ENFORCEMENT ON THIS JUDGMENT. I MAKE THIS WAIVER WITH KNOWLEDGE OF THE EVENTS DESCRIBED HEREIN AND WITH THE ADVICE OF LEGAL COUNSEL. FURTHER, THIS WAIVER IS MADE KNOWINGLY, VOLUNTARILY, AND INTELLIGENTLY, AND WITHOUT ANY DEGREE OF DURESS OR COMPELSION WHATSOEVER.

Date: _____

_____ [Debtor's signature]

_____ [DOE representative's signature]

WARNING: BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND A COURT TRIAL. IF YOU DO NOT PAY ON TIME, A COURT JUDGMENT WILL BE ENTERED AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE. THE POWERS OF A COURT CAN THEN BE USED TO COLLECT PAYMENT FROM YOU, EVEN IF YOU HAVE CLAIMS AGAINST YOUR CREDITOR.



CHAPTER IV

-I INVESTMENTS

1. INTRODUCTION.

- a. Purpose. To establish **policies** and general procedures for the management of and accounting for all moneys **received by** DOE that **are available** for investment in interest-bearing Department of the Treasury securities.
- b. Applicability. The provisions of this chapter apply to all DOE elements that manage funds with investment authority. Investment authority is **a legal** right granted to a Federal agency, through congressional legislation, which authorizes the investment of cash balances in interest-bearing Department of the Treasury securities.
- c. Exceptions. This chapter does not apply to pension funds for contractor employees.

2. REQUIREMENTS for investments areas follows:

- a. Effectively manage investments from the critical investment planning process through the final redemption of the investment securities;
- b. Invest only non-Federal funds;
- c. Limit investments to Department of the Treasury securities that are purchased through the Department of the Treasury, and not on the open market;
- d. Maximize return on investments within stated DOE or Department of the Treasury policies;
- e. Maintain sufficient liquidity to meet operational disbursement requirements;
- f. Record investment transactions on a timely basis, but not later than the end of the month in which the transactions occur;
- g. Maintain investment accounts on an accrual basis;
- h. Maintain subsidiary investment records as appropriate:
- i. Establish operating procedures to preclude overinvestment of funds; and
- j. Restrict initiation of investment activities to employees specifically delegated the authority to perform this function.

3. INVESTMENT PROCEDURES.

a. General.

- (1) Moneys available for investment **are categorized as provided by** law, legal judgments, or international agreements.
- (2) As **a matter of policy**, only **Department** of the Treasury market-based special (MK) securities maybe purchased as an investment. One exception **to this policy is DOE's** investment in **6-month** certificates of deposit, pursuant to the Minority Financial Institutions Deposit Program of the Office of Minority **Economic Impact (MI-1)**. Under this program, **a portion** of the Petroleum Pricing Violation Escrow **Fund is** invested through **designated** trustee banks in **\$100,000** certificates of deposit with minority financial institutions bearing interest at the prevailing **6-month Department** of the Treasury bill rate. All funds deposited under this program are fully **insured by** either the Federal Deposit Insurance Corporation **or the** Federal Savings and Loan Insurance Corporation.
- (3) An **MK security** is an issue identical in every respect, except for transferability and composite price, to any marketable **Department** of the Treasury issue being traded or sold in the Government securities market, specifically, **Department** of the Treasury 1-day certificates, bills, notes, or bonds. These instruments are virtually risk free and generate **reasonable** rates of return. The following **MK** securities maybe purchased:
 - (a) One-Day Certificates. **Department** of the Treasury 1-day certificates are used when funds **of \$1** million or more cannot reinvested in longer term securities **or when** funds are required **to meet** immediate cash needs **for a** particular program. This investment mechanism is commonly referred to as **"overnight investment,"** since the funds invested on one day, plus the interest earned on that investment, are available for use the following business day. As with other **MK securities**, **Department** of the Treasury Fiscal Service Form (TFS) 1081-1, **"Investment Authorization and Schedule of Withdrawal and Credits,"** and TFS-1081-2, **"Redemption Authorization and Schedule of Withdrawals and Credits,"** support the investment and redemption, respectively, of the 1-day certificates. Both documents are **prepared by** the **Department** of the Treasury. To properly execute investments in 1-day certificates, information on daily receipts and disbursements, interest earned, funds realized from redemption of securities, and funds expended in the purchase of securities must be collected and the amount available for investment must **be calculated.**
 - (b) Bills. **Department** of the Treasury bills (T-bills) are purchased when funds beyond immediate needs are on hand (as a result of investment instruments maturing or significant receipts from the private sector) that will be required within the next 12 months. Although T-bill have maturity periods (from the date originally issued to the maturity date) **of 3** months, 6 months, and **1 year**, actual investments

made in these short-term securities **may be in** any available maturities ranging from **1 week to 1 year**. The minimum purchase for a T-bill is \$10,000, with increases in \$5,000 increments. The amount of funds actually invested in T-bills will be less than the total face value of the securities. At this lesser amount, the acquisition is referred to as "**purchasing** at a discount." The income from the T-bill is the difference between the purchase price and the amount **realized at maturity or when sold**.

- (c) **Notes and Bonds**. Department of the Treasury notes and bonds are purchased when funds beyond immediate needs are on hand and are not anticipated to be required during the next 12 months. Funds beyond immediate needs usually occur as a result of investment instruments maturing as a result of significant receipts from the private sector. Department of the Treasury notes have maturity periods of at least **2 years** but not more than **10 years**, whereas Department of the Treasury bonds have maturity periods of from **10 to 30 years**. Notes and bonds have fixed interest rates (coupon rates) for their entire maturity periods and may be issued at face value or at a **premium or discount** from face value as determined by auction. Department of the Treasury notes are usually **issued in** increments of **\$1,000 or \$5,000**, whereas Department of the Treasury bonds are usually issued in increments of \$1,000, with some earlier issues **available in** \$500 increments. **As with** T-bills, investments in notes and bonds are not limited to current issues. Rather, investments made in notes may be in any available securities with maturities ranging from **6 months to 10 years**, and investments made in bonds **may be in** any available securities with maturities ranging from **6 months to 30 years**. Current Department of the Treasury policy prohibits the purchase of notes and bonds with maturity periods of less than 6 months. Unlike T-bills, for which interest is received at maturity, Department of the Treasury notes and bonds pay semiannual interest, **which is reflected on SF-1081, "Voucher and Schedule of Withdrawals and Credits,"** prepared by the Department of the Treasury.

- (4) The Office of Chief Financial Officer (CFO; CR-1) shall coordinate with appropriate Department of the Treasury representatives **to establish** special escrow funds and to facilitate the implementation of investment procedures for each new fund established. The CFO must also ensure that each new fund is administered in accordance with all laws and regulations that apply to that fund.

b. Investment Procedures with the Department of the Treasury.

- (1) Responsibility for Selection of Securities. DOE is responsible for selecting the **MK securities** to be repurchased or sold **and may** do so on a daily basis. However, the Department of the Treasury retains **discretion to** decline to purchase **particular** securities when, in the Department of the Treasury's sole judgment, the volume of market trading in those securities is not sufficient **to establish a** reliable indication of their prices.

(2) Investments.

- (a) MK T-Bills, Notes, or Bonds If DOE communicates its request for investment in **MK T-bills**, notes, or bonds to the Department of the Treasury **by 11 a.m.**, eastern time, on a business day, **specifying** the security or securities to be repurchased, the Department of the Treasury will make the investment by the close of business on that day. If DOE's request is received **after 11 a.m.**, eastern time, the Department of the Treasury will make the investment by the **close of** business on the following business day. If the desired Treasury **MK** security (or securities) is being traded on the market, **it will** be issued **at the** mean of the bid and asked prices quoted by the Federal Reserve **Bank of New York as of noon on** the date of purchase. A request received by the Department of the Treasury before the **11 a.m.**, eastern time, deadline may not be changed or **cancelled** after the deadline.
- (b) Extension of MK T-Bills If DOE determines that its operational disbursement needs will not coincide with **the maturity date of an MK T-bill** that it **wishes to** purchase, the Department of the Treasury may be requested to extend its maturity date, but only at the time that the **security is** purchased. The maturity of an **MK T-bill** may be extended from **1 to 6** calendar days. For example, weekly bills normally mature on Thursdays; however, at the time of investment, DOE may request that the **MK T-bill** mature on the Wednesday following that Thursday, **an extension of 6** days. The purchase price will be **based on** the mean of the bid and asked price of the applicable **MK T-bill** on the date of purchase, less **6 days'** additional discount **at the** same rate. The **MK T-bill** will then mature on the extended date. If the extended **MK T-bill** is sold before maturity, **it will** be sold **at the** bid price of the next maturing bill.
- (c) One-Day Certificates If DOE communicates its request for investment in **1-day certificates to** the Department of the Treasury by **3 p.m.**, eastern time, on a **business** day, the Department of the Treasury will make the investment on that day. As with other **MK securities**, 1-day certificate transactions will be **placed** with the Department of the Treasury on days that are both New York Federal Reserve Bank market days and Federal workdays. The interest rate on 1-day certificates is based on the average repurchase agreement rate computed daily by the Federal Reserve **Bank of** New York, rounded to two decimal places (for example, 9.27 percent).
- (d) Failure To Meet Deadlines. If DOE does not initiate appropriate action to invest excess **funds in** 1-day certificates, T-bills, notes, or bonds before their respective deadlines, the funds will become uninvested.
- (3) Redemptions. Any **MK security** held by DOE may be redeemed before maturity. If telephone requests for such redemptions are made to the Department of the Treasury **by 11 a.m.**, eastern time, on a business day, the **Department of** the Treasury will effect the redemption by the close of business on that

day. **Action on** requests for redemption received after 11 a.m., eastern time, will be completed by the close of business on the following business day. MK securities will be redeemed at the bid price **quoted by** the Federal Reserve Bank of New York as of noon on the date of redemption.

- (4) **Confirmation Letters.** DOE shall confirm by letter **each telephone request for investment in or redemption of MK securities.** DOE shall **include in each letter the date that the transaction is to be reprocessed, the security to be repurchased or sold, the type of transaction requested (purchase or sale), and the amount of funds made available for investment or the face value of securities to be redeemed.**
- (5) **Portfolio Management Practices.** DOE shall manage funds **invested in MK securities to ensure that current operational disbursement requirements are met and to maximize the interest earnings on funds not currently required for operating purposes.** The Department of the Treasury will not honor requests that, in its sole judgment, involve "day trading" activity in the form of buying and selling the same security or that would provide arbitrage profits mainly as a result of the insulation **of activity in MK securities from market price reaction.**

4. **RECORDING INVESTMENTS.**

- a. **Acquisition of Investments.** An **investment is recorded at the face value of the security acquired.** A premium or discount paid at purchase is recorded in the appropriate valuation account (contra account).
- b. **Interest Accruals.** Interest receivable **shall be recorded in the accounts as interest income is earned.**
- c. **Amortization of Premiums and Discounts.** Premiums and discounts are amortized over the life of the investment, using the effective interest method or the straight line method, if it produces results similar to the effective interest method.
 - (1) With the effective interest method, the effective interest rate (the actual interest yield on amount invested) multiplied by the carrying value of the security at the start of the accounting period equals the interest income recognized during the period (the carrying value changes each period **by the amount of the amortized premium or discount**). The **amount of amortization of premium or discount is the difference between the effective interest recognized for the period and the actual interest earned during the period.**
 - (2) With the straight line method, **the amount of the premium or discount to be amortized for the accounting period is calculated by dividing the number of days in the period by the number of days between the issuance and maturity dates of the investment and then multiplying this amount by the original premium or discount.**

- d. **Redemption of Investments.** When an **investment is** sold or redeemed, **the invest-** merit account balance and **the valuation** (contra) account balance are reduced. **The gain or loss** is calculated by using the following formula:

$$\text{gain (loss)} = \text{proceeds} - \text{book value}$$

Proceeds are the face value plus a **premium** on redemption or face value minus a discount on redemption. Proceeds do not include accrued interest. Book value is face value plus any unamortized portion of the premium paid at **purchase or** face value minus any unamortized portion of the discount paid at purchase.

5. **DEPARTMENT OF THE TREASURY REPORTING REQUIREMENTS.** At the end of each fiscal year, investment data are obtained from the investment and valuation (contra) accounts within the Financial Information System and reported to the Department of the **Trea-** sury on TFS 220.1, "Additional Financial Information." This schedule, which is part of TFS 220. "Report on Financial Position," includes the following information:

- a. Identification of Federal **MK** securities:
- b. Face amount:
- c. Market value at the date of the financial statement;
- d. Method of amortization of premiums and discounts ; and
- e. Unamortized balance of premiums and discounts.

CHAPTER VI
PLANT AND CAPITAL EQUIPMENT

1. INTRODUCTION.

- a. **Purpose.** To prescribe the policies and general procedures for the accounting and financial management of DOE plant and capital equipment (P&CE) charges, and depreciation. This chapter describes financial controls over the acquisition, use, and retirement of property and provides guidelines for distinguishing between charges to capital accounts and charges to expense accounts. The concepts and standards for P&CE are contained in DOE 2200.4. ACCOUNTING OVERVIEW, Chapter II. **"Concepts and Standards."**
- b. **Applicability.** The applicability of this chapter is specified in DOE 2200.4, ACCOUNTING OVERVIEW, Chapter I, "Introduction," paragraph. When in conflict with the provisions of this paragraph, power marketing administrations shall observe the policies of the Federal Energy Regulatory Commission and other industry standards as they apply to the accounting and financial management of P&CE.
- c. **Policy.** Financial accounting for P&CE shall be governed by the following basic principles:
 - (1) All DOE property shall be accounted for in accordance with the capitalization criteria contained in this chapter, regardless of funding source;
 - (2) All DOE property meeting the capitalization criteria shall be reflected in the official financial records of DOE;
 - (3) Depreciation shall be calculated and recorded in the appropriate cost-of-operation account, using the appropriate nonfund fund type;
 - (4) P&CE items shall be analyzed to distinguish between capital and expense items. regardless offending sources (however, P&CE items will continue to be charged where they are budgeted);
 - (5) Timely and accurate financial reporting on facility construction and capital equipment activities shall be provided to DOE management;
 - (6) Financial control over property shall be maintained; and
 - (7) The primary basis of accounting for property is its acquisition cost (with the general exceptions of transfers, excess property received, foreclosures, and discoveries).

d. Capitalization Criteria.

- (1) Capitalize individual **P&CE items** that are purchased, constructed, or **fabricated** in-house, including major **modifications** or improvements to any of these items, if they have unanticipated service life **of 2 years or more** and if they cost **\$5,000 or more**. The only exceptions are 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 service life or an alternative future use. Data about real property, regardless of value, shall be recorded and retained in the official financial records and the Real Property Information System (RPIS) to permit the reporting of all real property holdings as required by General Services Administration regulations. Capitalized cost includes the invoice price, plus incidental costs, such as sales tax, insurance during transit, freight, duties, handling, surcharges, administrative charges, installation costs, and other costs to convert or to make the facilities or equipment ready for use. Cost shall be recorded net of purchase discounts taken. Purchase discounts lost and late payment **penalties** shall not be included as costs of assets, but rather shall be recognized as operating expenses. The capitalized items are **identified as** individual property record units so that like items are consistently described as **such in** the plant records. Generally, the property record unit **should be** an operating or functional unit.
- (2) Capitalize automated data processing software (programs, routines, or subroutines) valued at \$5,000 **or more**, with a useful life **of at least 2** years. This **criterion is only applicable to** the operating system, or that software necessary for the computer to cooperate and process other **applications** software. Software for any operation in addition to the basic operation of the computer shall be expensed, even if purchased with the computer.
- (3) Capitalize and group in **a separate** asset-type account related items that individually cost less than \$5,000 but that collectively cost **\$5,000 or more**, **such as** the initial complement of equipment of a building, if current costs **would be** distorted in **a given period by** charging such **items to expense** accounts. The initial complement **of equipment** of insignificant value relative to total project cost is generally distributed over the cost of the property record units **to which it is** related.
- (4) Capitalize property, including assets acquired through installment contracts and lease purchases, as described in this chapter.
- (5) Generally, DOE elements shall not **capitalize interest** during **the acquisition of P&CE**. However, certain DOE elements fund the acquisition, construction, or **fabrication of P&CE through** direct borrowing from the Department of the Treasury and pay interest directly to the Department of the Treasury. In such cases, capitalize interest, if it is immaterial, based on the interest rate charged by the Department of the Treasury for the funds borrowed. The interest paid shall be **capitalized as part of the historical** cost of acquiring the **P&CE**. 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 (interest expense on power investments is detailed in paragraph 1d(7)):

- (a) Expenditures for P&CE have been made, and
 - (b) Activities that are necessary to get P&CE ready for its intended use are in progress.
- (6) Sensitive items that are susceptible to being taken for personal use or that are readily salable for cash—such as firearms, photographic equipment, tape recorders, calculators, and power hand tools—that do not meet the capitalization criteria should be recharged as an operating expense and recorded in the property record system at acquisition cost for inventory traceability. No entries in the completed P&CE accounts are required.
- (7) Interest expense on the unpaid power investment is a required portion of the costs to be recovered by power revenues and therefore must be recomputed and returned to the Department of the Treasury over the repayment life of the plant. Rates to be used in computing interest on investment shall be those officially established by law or administrative procedures pursuant to law.

e. Property Record Unit Concept.

- (1) Property record units are designed to establish divisions of the completed P&CE accounts in sufficient detail to identify the component parts of facilities. Property record units facilitate the recording of changes to property accounts and the reconciliation of physical inventories with financial accounts.
- (2) A property record unit, sometimes called a P&CE record unit, is a component of plant or equipment 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. If a retirement unit is not specified, the property record unit and the retirement unit are considered synonymous. In selecting the property record unit, consideration should be given to its use, relationship with other associated items, relative importance, frequency of anticipated property changes, and monetary value. Generally, \$5,000 or more is considered as sufficient monetary value to justify maintaining continuing records of the property unit. 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 establish the physical dividing lines **by which costs of** work related to **P&CE** (including maintenance, repairs, betterments, and replacements) are classified and charged either to a **P&CE** controlled appropriation or to an operating expense controlled appropriation. A retirement unit is the smallest component of **P&CE that is** invariably eliminated from the **P&CE** accounts when removed, transferred, sold, abandoned, or demolished **and is invariably** capitalized when **acquired**. To ensure consistency, there shall **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 shall 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. The foregoing definition shall be reapplied **in a** systematic and rational fashion and support the maintenance, repairs, betterments, and replacements to property record units, based upon the recommendations of site project and facilities management.
- (4) Each field element or integrated contractor shall develop and maintain its own property record unit catalog or one that may serve 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 shall be done annually by the cognizant Field Element Chief Financial Officer (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** **P&CE** costs are assembled and recorded in the field and contractor **P&CE** records. The description of each property record unit is intended to provide sufficient information to identify the unit **in the P&CE** records and for physical inventory purposes. The retirement units applicable **to each** property record unit provide a basis for distinguishing between capital (**P&CE**) and expense charges. Samples of property record unit catalog entries appear as Attachment **VI-2**. 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.

f. Guidelines for Distinguishing Plant and Capital Equipment Expenditures from
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- (1) Although operating expenditures and **P&CE expenditures** are now consolidated under the same appropriation, separate functional classifications are required and the distinction between operating and **P&CE** expenditures must be maintained **at all** levels of procuring, accounting, and reporting.
- (2) Consider the following two factors in determining **whether an** action should be classified **as P&CE**: the nature of the item to be purchased or constructed and the service life and cost of the item to be purchased or constructed. Budget and procurement procedures shall ensure that **P&CE** procurements are properly matched to corresponding funding ceilings. The various types of **P&CE** items may be categorized broadly as follows:

(a) Plant.

- 1 Land includes land rights, depletable resources (minerals and timber), and improvements to land.
- 2 Buildings include all structures and significant alterations, additions, or improvements to structures (but not normal maintenance).
- 3 Construction includes all elements associated with construction in progress.
- 4 Utilities include water and sewage systems; heating, cooling, and power systems; communications systems; and fire prevention systems.

(b) Capital Equipment.

- 1 Heavy Equipment includes all vehicles, railroad stock, processing or manufacturing machinery, shop machinery, reactor or accelerator machinery, and reserve construction machinery.
- 2 Special and Scientific Equipment includes medical, laboratory,* and security equipment.
- 3 Automated Data Processing Equipment includes computers, printers, cathode ray tubes, operating system software, and interface peripherals.

- (3) The following are examples of costs that are expensed:

(a) Plant.

- 1 Land. Expense normal maintenance and repair, such as periodic vegetation control, repairs to sections of sidewalks, and roads that are less than a retirement unit.

2 Buildings. Expense normal maintenance and repair, **such as painting, cleaning, and small repair jobs not resulting in an addition, replacement of** a retirement unit, or a betterment.

3 Construction. Expense demonstration plants that have limited service lives and that will not be used for actual production or operations.

(b) **Equipment.**

1 Expense equipment not meeting the capitalization criteria.

2 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.

3 Expense testing and reworking of prototype equipment for which design has been established.

(4) The appropriate funding source (operating or **P&CE**) can also be redetermined by relating funding needs to specific project activities as defined below:

(a) **Pre-Title I Activities** are all activities taking place **prior to** the start of preliminary design. These activities are charged **to operating** expense whether they are performed by the architect or engineer or by the integrated contractor, and they include such activities as the following:

1 Siting and engineering studies conducted to establish project scope, feasibility, and need;

2 Conceptual design report (CDR) and a preliminary safety analysis report, **if it** is prepared as part of the conceptual design report;

3 Preparation of construction project data sheets;

4 Preparation of design **criteria**;

5 National Environmental Policy Act documentation preparation; and

6 Formulation of quality assurance criteria and plans during the conceptual stage of design.

(b) **Title I Design** is the preliminary stage of project design. In this phase, design criteria are defined in greater detail to permit the design process to proceed with development of alternate concepts and a Title I design summary. These activities **are to** be recapitalized

whether they are performed by the architect or engineer or by the integrated operating contractor, and they include the following:

- 1 Design studies, including alternate design approaches, energy conservation evaluations, and analysis or review of health, safety, and environmental aspects of the project;
 - 2 **Review of** the project design criteria to develop greater detail and to incorporate any design modifications that may **result from** engineering studies resulting from Title I;
 - 3 Preliminary design drawings, showing the proposed design and any alternates in sufficient detail to establish the design features of each approach and to permit a preliminary construction cost estimate;
 - 4 Outline specifications for construction and specifications for equipment procurement and identification of long-lead-time items for advance procurement;
 - 5 Preliminary safety analysis report, if not included **in the** conceptual design report;
 - 6 Construction cost estimate based on the approved design and other such estimates as required to support the evaluation of alternate designs prepared during preliminary design (Title I);
 - 7 Preliminary project **schedule based upon** information available during preliminary design (Title I); and
 - 8 Formulation and revision of quality assurance **criteria and** implementation **plans.**
- (c) **Title II Design is** the definitive stage of project design. **Activities** performed during this stage are to be recapitalized whether they are performed by the **architect or** engineer **or by** the integrated operating contractor, and they include the following:
- 1 Restudy and redesign work required to incorporate changes from the design prepared in Title I;
 - 2 Final drawings, specifications, test plans, and construction cost estimates suitable for soliciting bids from contractors;
 - 3 Analyses of health, safety, environmental, quality assurance, and other factors that may impact the project, as directed by the contracting officer;
 - 4 Coordination of all design elements with other project features, such as utilities, Government-furnished equipment, and portions of the project or related projects being designed by others; and

- 5 Records of all meetings scheduled for design review or **coordi -**
nation with DOE, the operating contractor, and local agencies,
such as public utilities.
- (d) **Title III constitutes** the inspection portion of project engineering,
design, and inspection. These activities can be separated into two
categories: office support **and** field services. These activities are
to be recapitalized whether they are performed by the **architect or**
engineer **or by** the integrated operating contractor.
- 1 Activities **classified as** office support include **the fol** lowing:
- a Review of all vendor drawings and submittals for conformance
with the approved design drawings and speci fications;
 - b Incorporation of all approved-as-built deviations from the
design **drawings in as-buil t** record drawings for delivery **to the**
DOE element;
 - c Estimate **preparation to** establish reasonable amounts of
increase or decrease in contract price or schedule caused by
contract modifications and an evaluation of proposals **submit-**
ted by the construction contractor for reasonableness before
making recommendations to the DOE element;
 - d Preparation and submittal of reports on progress, schedule,
budget, and such other project aspects as are required by the
statement **of work;** and
 - e Preparation and submittal of the documentation required by the
quality assurance plan.
- 2 Activities classified as field services include the following:
- a Furnishing and maintaining governing lines and benchmarks to
provide controls **to which** construction may be referred;
 - b Inspecting construction contractor' **s workmanship,** materials,
and equipment and reporting on conformance or nonconformance
with the approved drawings and speci fications;
 - c Making or procuring such field or laboratory tests **as are nec-**
essary to ensure that construction materials and practices are
in accordance with the approved drawings and **specifications;**
 - d Revising field copies of the design drawings and **specifica -**
tions to show the as-built condition for submittal **to the**
designer for incorporation into the as-built record drawings;

- e Providing input to construction progress reports as required; and
 - f Providing the required inspection and testing to ensure compliance with the quality assurance plan.
- (e) **Construction.** All costs for construction equipment, material, labor, and overheads shall be capitalized, except as provided below:
- 1 When construction is performed by an integrated operating contractor, only the direct construction costs and the incremental indirect costs resulting from the contractor's construction activity shall be capitalized. Indirect costs that will continue regardless of construction activity shall not be included in construction, but charged as cooperating expense.
 - 2 When construction is performed by DOE, all costs incurred related to the construction work, except for DOE general and administrative costs, shall be capitalized.
- (f) **Construction Management** typically includes the review and approval of construction packages, review and acceptance of construction test procedures, and control of field design change requests. The construction manager supports the construction contractor by furnishing items not provided in the bid package, such as security, temporary facilities, debris removal, and similar project requirements not included in the bid package. All costs associated with construction management shall be capitalized.
- (g) **Project Management** covers services provided by the integrated operating contractor project manager and the Head of the Field Element's dedicated DOE support staff beginning with Title I and continuing through the completion of construction. These activities are distinguished from integrated operating contractor project support activities in that project management is by dedicated personnel performing duties related solely to the project. All costs associated with project management shall be capitalized, because the great majority of effort is expended during construction. Project management during the design phase of major projects or major system acquisitions authorized for design only is also capitalized. The following activities are examples of work included in the scope of project management:
- 1 Technical management and liaison with designers during Titles I, II, and III;
 - 2 Coordination, including interface control during design and construction;
 - 3 Maintenance and operation of scheduling, estimating, and project control systems during design and construction;

- 4 Technical management and coordination of the construction manager and support staff;
 - 5 Overall management and coordination of the **activities of nondedicated** project support personnel;
 - 6 Technical management of review and approval activities conducted by dedicated management personnel;
 - 7 **Coordination of** all aspects of the project: and
 - 8 Preparation, revision, and related activity **in support of** the final safety analysis report.
- (h) **Project Support** covers activities performed by the integrated **operating** contractor for internal management and technical **support of** the project **manager by nondedicated** personnel. Project support shall be charged cooperating expense. The following activities are **illustrative of** support services provided by integrated operating contractors:
- 1 Document control:
 - 2 Compliance audit of quality assurance, health physics, safety, and environmental requirements: and
 - 3 Design review by **nondedicated** operating contractor personnel on an as-needed basis, including independent technical analysis, **constructability** review, life cycle cost comparisons. Life safety review, health physics review, and code checks.
- (i) **Startup covers** one-time costs incurred by the integrated operating contractor during the transition between the completion of **construction and operation of** the facility. All such costs are charged to operating expense. They include the following:
- 1 Operations planning, operator training, and operational readiness review:
 - 2 Startup coordination, postacceptance testing, cost of startup chemicals, and related supplies; and
 - 3 Salaries of startup personnel.

9* **Accounting for Maintenance, Repairs, Betterments, and Replacements.**

- (1) **Repair** is the restoration or replacement of a deteriorated item of **P&CE**, such that **it may be utilized for** its designated purpose. The cost of **repair is** normally charged to an operating expense account and includes amounts for labor and associated supervision and materials, **as well as** indirect and other costs incurred in such repairs, but does not include

the costs to replace **items of P&CE** designated as retirement **units**. (Power marketing administrations should refer to publications and studies on utility plant service lives.)

- (2) **Maintenance is the recurring** day-to-day work that is required to maintain and preserve **P&CE in a condition suitable for it to** be utilized for its designated purpose. It differs from repair in that it is normally work to correct wear and tear before major repair is required, **and it is** usually less involved than repair work. Maintenance **work is** typically charged to an operating expense account.
- (3) **Preventive Maintenance is** the utilization of periodic inspections, adjustment, lubrications, and minor repairs to plant property for the purpose of maintaining its useful life and reducing the frequency and **magnitude of** breakdown repairs. Preventive maintenance is a specialized category for the broader category of maintenance. Preventive maintenance is typical **ly charged to** an operating expense account.
- (4) **Betterments are improvements to P&CE** which result in better quality, higher capacity, or an extended useful **life and** are capitalized. **Deter-**mining when and to what extent an expenditure should be treated **as a bet-**terment requires the exercise **of judgement. When a** minor item is replaced in each of **a number** of similar units, the effect of the replacement as related to each unit, rather than to the cumulative costs, is the proper basis for determining whether or not a betterment is effected. Listed below are various terms which are commonly used to describe various categories of betterments.
 - (a) **Construction is** the erection, installation, **or assembly of a** new plant facility; the addition, expansion, alteration, conversion, improvement, or **replacement of** an existing facility; or **the relo-**cation of a facility from one location to another. 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.
 - (b) **Conversion is a** major structural revision of **a facility** that changes the functional purpose **for which** the facility was originally designed or used.
 - (c) **Addition, Expansion, and Extension. Addition, expansion, and exten-**sion each constitutes a physical increase **to a** facility that adds to the overall external dimensions of the facility.
 - (d) **Replacement is a complete** reconstruction of **a plant** record unit which has deteriorated or has been damaged beyond the point where **its indi-**vidual parts can be economical **ly** repaired. If the item **replaced is** a retirement unit, its original cost (including installation cost) is

removed from the **P&CE** accounts and the cost of the newly installed Item (including installation **cost**) **is added to the P&CE** accounts. If the item replaced is a **minor** item and the replacement does not create a betterment, the cost of the replacement shall be **considered maintenance and repair** and shall be charged to an **operating** expense account.

- (e) **Alteration is** the work required to adjust **interior arrangements or other physical characteristics** of an existing record unit **so that it may be more effectively adapted to or utilized for its designated purpose.**

h. Plant and Equipment Changes.

- (1) **Construction Work in Progress.** The account Construction Work in Progress Includes costs of **additions and retirements of P&CE that are in progress** and are being accumulated **during the acquisition or construction period.** The **acquisition cost of construction work in progress shall be closed to the completed P&CE accounts when the equipment and facilities are placed in service** (that is, beneficial occupancy) even though the entire project **is not financially** completed. The acquisition **cost of items being retired shall be closed to the appropriate accumulated depreciation** account when Items are actually disposed of. All costs that **relate to P&CE changes in progress and the cost of unconsumed construction materials, supplies, and temporary construction facilities shall be included in the account.** **Detailed** accounting records shall be **maintained** for the following (when work is performed under cost-type contracts. **the detailed** accounting records for each project or job shall be further subdivided to facilitate cost control and **to make entries to P&CE accounts and continuing property records**):
- (a) Each construction project **or job, including undistributed construction costs**-for example, construction materials and supplies, construction equipment, and temporary facilities, and
- (b) Each type **of capital** equipment.
- (2) **Demolition, Dismantling, and Removal Costs and Salvage Credits.** Removal costs shall 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) Costs are **incurred** when it **is economical to salvage or reuse items,**
- (b) The removal **is necessary for health and safety considerations, and**
- (c) Contractual agreements **require** removal.
- (3) **Abandoned Projects.** Project costs shall include costs **incurred because of the cancellation of all or part of a contractor purchase order to procure, manufacture, or assemble an item of P&CE.** These costs, **less** any salvage

credits, shall be 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 projector project segment maybe closed from Construction Work In Progress **to Abandoned Projects** (Budget and Reporting Classification **Code YN**, Other Costs and Credits). All charges to abandoned projects shall be approved by the Head of the Field Element.

f. Responsibilities.

- (1) Integrated contractors shall be required **to maintain** summary financial control records for their subcontractors having DOE-owned **property in** their possession, and DOE field elements shall **do the same** for all integrated and **offsite nonintegrated** contractors for which they **are responsible**. Property records shall facilitate control of the costs of work in progress and shall indicate whether an item has been capitalized **or not**. The summary financial control accounts maintained by **DOE field elements and integrated** contractors shall **include as 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 status code. Accurate and up-to-date accounting records shall be maintained by DOE field elements and by integrated and **nonintegrated** contractors **in order** 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 shall 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**.
- (2) Three offices are responsible for establishing DOE policy for property management: the Office of Chief Financial **Officer (CR-1)**, the Office of Administration and Management (**AD-1**), and the Office of Procurement, Assistance and Program Management (**PR-1**).
 - (a) The Chief Financial Officer (**CFO**) **carries out** property management responsibilities through the Accounting Policy Division (**CR-22**), which develops accounting policies and procedures related to **appropriated** funds and fiscal policies for exercising stewardship over the Department's assets. The **division is** responsible for **formulating procedures** to provide assurance that assets are properly accounted for and that policies are developed for write-on, write-off, **or write-down of** the assets in accordance with recognized accounting principles, standards, and practices.
 - (b) The Office of Procurement, Assistance and Program Management is responsible for the promulgation of acquisition regulations and financial assistance rules governing DOE property held by contractors. In addition, the Property and Equipment Management Division (**PR-162**) has the DOE-wide responsibility for developing and maintaining **procedures,**

standards, and guides for property, supply, and equipment management programs; for personal property management; and for the Defense Production Act of 1950 priorities and allocations program. It also prescribes policies and procedures governing the management of property in the custody of OOE contractors.

- (c) The Office of Administration and Management, through the Facilities Management Division (AD-14), serves as the Department's official point of contact relating to the acquisition, use, or disposal of real property. As such, it coordinates and establishes policies, principles, and procedures relating to the acquisition, use, and disposition of real property owned or controlled by DOE; formulates and establishes criteria relating to the need for, and method of acquisition of, real property, including the review and approval of studies submitted to Headquarters justifying the need for real property; and formulates and establishes criteria relating to the development of long-range plans for acquisition, use, and disposal of real property.

2. REAL PROPERTY.

a. Definitions.

- (1) 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. By "nature" is meant trees, the products of land, and natural resources; by "human hand," those objects, buildings, fences, or bridges that people erect upon 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 include 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 used as temporary or mobile facilities should be reconsidered personal property when not acquired or intended for permanent use.
- (2) Related Personal Property is any personal property that is an integral part of real property or is related to, designed for, or specially adapted to the functional or productive capacity of the real property, the removal of which would significantly diminish the economic value of the real property or the related personal property itself. Examples of related personal property are communication systems and telephone systems. Normally, common use items, including but not limited to general-purpose furniture, utensils, office machines, office supplies, and general-purpose vehicles, are not considered related personal property.

- b. Real Property Type Accounts. Real property and related personal property should be recorded by using the appropriate asset type code. For a further

description of these codes, see DOE 2200.10A, ACCOUNTS. CODES. AND ILLUSTRATIVE ENTRIES, Chapter II, "Financial Codes."

- c. Financial Controls Over Real Property.** All real property, modifications, changes, and improvements and related personal property shall be recorded in the appropriate balance sheet account for Completed Plant and Capital Equipment. The costs are recorded at the time of acquisition **whether by** purchase, donation, or transfer **or at** the time the costs **are closed from a work-in-progress account. This account is** supported by subsidiary accounts that **identify** the property by asset type. Detailed records of DOE-owned property shall be **maintained by** the DOE field element, by the contractor having the physical custody of DOE-owned property, **or by** a designated contractor. **The only exception to** this requirement is that Government-owned land **and land rights** shall be included in the detailed records of the responsible DOE field element. In addition, prime contractors shall maintain summary financial control records for their subcontractors having DOE-owned property in their possession, and DOE field elements or their designated contractors shall do **the same** for all contractors that have DOE property in their possession. The summary financial control records maintained by field elements and contractors shall 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 status code. Accurate and up-to-date **accounting** records shall be maintained **in order** 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 shall 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.
- d. Purchase of Real Property.**
- (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 reauthorized by the CFO and by the **Director of** Facilities Management.
- e. Leasing of Real Property.**
- (1) A real estate lease is an agreement to use another's property for **a given period of** time and for a given amount of money. The amount of money and **period of time** are known and specifically stated, and the lease, once signed by both parties, is a binding legal agreement, **enforceable in** the courts. DOE policy for **multiyear** leases is dictated by legal and fiscal restraints. If improvements to leased properties satisfy the criteria described in paragraphs **2e(2)** through **2e(6)** and further meet the criteria for a capital -type expense, their costs shall be recorded **in the** completed P&CE account using the asset type Improvement to Property of Others.

- (2) Leases funded **by appropriations available for 1 fiscal year that are executed by, or on behalf of, DOE may not exceed 1 year unless a longer term is specifically authorized by legislation or unless the General Services Administration delegates long-term leasing authority for specific acquisitions.**
- (3) In addition, DOE may lease special-purpose space for more than **1 year**, provided that no-year funds (that is, funds **available until** spent) are obligated for **either the** entire amount of the term rent or the **amount of** the cancellation payment (penalty), if one **is** provided, plus rent **to the** date on **which** cancellation may be exercised. Using no-year funds, however, **ties up sums of money for long periods**, and taking a large sum from no-year funds for long-term rent **in any** given year can have an adverse effect on the overall budget; as such, **this action is general ly not consistent with good financial** management. Therefore, though **this option is** legally available, its use must be approved by the CFO and the **Director of** the Office of Administration and Management. Such approvals shall be rare and given only as a last resort.
- (4) Any lease for **a public** building with an annual rent of more than \$500,000 is subject to the requirement that a **prospectus be** submitted **to and** approved by Congress before any commitment by the Government. The prospectus shall be submitted to the Director of the Office **of Administration** and Management.
- (5) Although leases executed by cost-type integrated contractors are not necessarily subject **to the** same laws that bind the Department, under the terms of their contracts, these transactions must comply with certain **fiscal, legal, and policy requirements.** (Cost-type **nonintegrated con-**tractors funded **with** annual, **single-year** appropriations are exempt from these requirements.) If the **contractor's financial** obligations **under its** lease are **paid** from funds under the contract obtained from annual **single-**year appropriations (that is, funds available **for 1 fiscal** year), the term of the lease must not **be more than 1 year.** If the **contractor's finan-**cial obligations under its lease are **paid out** of contract funds obtained from no-year **appropriations**, the term of the lease may be for **a longer period.** In **this situation, it is necessary** to ensure that **sufficient** funds are, and will be, available under the contract to **satisfy** the **contractor's financial obligations** under the lease. Contract **funds in** the amount of the **maximum liability** under the lease must be recorded as an **outstanding com-**mitment at the time the **lease is** executed. Regardless of the source of Government funds provided under the contract, **a cost-type** integrated contractor **is** always free to enter into a lease **for a term of more than 1 year** if the contractor is **willing** to expressly accept the risk that sufficient funds may not be available under the contract to meet the financial **obliga-**tions under the lease. As **a matter of policy**, such leases executed by cost-type contractors shall contain **a provision** to the effect that nothing **in this** lease shall **bind, or purport to bind,** the Government.

- (6) Before making permanent improvements to non-Government-owned real property, DOE field elements must obtain approval from the Director of the Office of Administration and Management. The Comptroller General has established as Government policy that, in general, the Government may not make permanent improvements to non-Government-owned land. The basic premise on which the Comptroller General has allowed exceptions to the **policy against** permanent improvements to private property is 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 that must **be addressed in** order to allow the **use of** Federal funds for such improvements:
- (a) The expenses of the improvements are nominal in comparison with the total price of the contract,
 - (b) The improvements are incident to and essential for the accomplishment of the authorized purpose of **the appropriation**, and
 - (c) Improvements **are used** for the principal benefit of the Government (46 **Comp. Gen.** 26.27 (1966): 42 **Comp. Gen.** 480 (1963)).

f. **Distinguishing Construction and Fabrication Activities from Research and Development.** For budgeting, accounting, and reporting purposes, the following criteria shall be used in distinguishing between the costs of research and development activities (operating expenses) and the costs of construction and fabrication activities (capital). These criteria are applicable regardless of whether the services are performed by a research and development, operating, architectural-engineering, or other contractor. When a DOE research and development laboratory or other operating contractor performs research and development activities and acts as prime contractor for design and **construction work** for DOE, provisions **must be** made for a clear separation of costs between these two categories of activities, in accordance with criteria described below.

- (1) **Research and Development Activities (Expense Type)**. Research and development activities generally include all work up to the time when the ideas or conceptual design for the project or individual components are **crystallized and** are ready for the preliminary design work (Title I) leading to a specific construction or fabrication project. Research and development activities include the development of conceptual designs, origination of ideas, and investigations to obtain scientific and engineering data, as well as activities directed toward the investigation and **development of** technical **improvements in** such projects, processes, systems, or **components during** the construction or fabrication period. The transition from the research and development phase to the construction and fabrication phase generally will not occur at one time because the design and **construction or fabrication of** some systems and components may be in progress while research and development work on other systems and components is being continued. Further, with respect to a given component, research and development may be continuing simultaneously with its **fabrication or**

construction **to optimize** the **design** and **quality** of the particular **component** and **its** integration into the **plant as a whole**. (Research and development expense funds shall not be used **for activities** or items that are to be **capital** funded.)

- (2) **Construction and Fabrication Activities (Capital Type)**. Construction and fabrication activities generally **include** the **design and engineering** for a specific project or for the components of a project after **the ideas** or conceptual design are crystallized: the procurement, fabrication, erection, and installation of all materials and equipment constituting the project; **models built** for size and spacing in connection with preliminary (**Title I**) and final (**Title II**) design work; the preparation of operating manuals; and the **preoperational** testing of the project components. The **cost** of components that are constructed for a project but that fail to perform as expected and are abandoned, **as well as** post-crystallization-of-design engineering work, shall be included in the cost of construction or **fabrication activities**. The cost of construction work performed by DOE and integrated contractors shall exclude all **nonincremental indirect or** overhead costs.

g. Experimental and Demonstration Projects.

- (1) When such projects as full-scale test facilities or other prototype **facilities** are undertaken **to obtain** data related to **specific investigations** and to demonstrate the **feasibility** of a particular process, the costs **incurred** for design, procurement, or **fabrication** of components, the cost of assembly, and all costs of operations **during the experiment** may be **considered as** operating expense and may be budgeted and accounted for under an appropriate operating expense program activity. However, when the construction and **final** testing of such prototype or demonstration **facilities** are completed, the Head of the Field Element shall **determine if** the completed facility is expected **to have a useful life of 2 years or** longer. If the experiment or demonstration on project facility **is to have a useful life of 2 years** or longer, the total cost of the completed project shall **be capitalized** and that cost shall be recorded in the **financial** accounts for completed **P&CE**.
- (2) When **a facility is expected to continue to operate** as an experiment or demonstration, **or when it is expected that** the experiment or demonstration **will become a productive facility** even though **primarily** constructed for experimental or demonstration purposes, it shall be treated as a **capital** construction project for budgeting **as well as for accounting** purposes. Pilot plants also shall be treated **as capital** construction projects when these plants are connected with full-scale construction plant engineering requirements and will be expected to continue to operate as models until the full-scale **plant is** constructed, **in operation**, and accepted for production purposes. A final cost report also shall be provided to the **Field CFO** of the cognizant **field** element for capitalization in the completed **P&CE** account. When construction is incomplete, **capitalize a pilot** plant that was budgeted for under operating expenses (because initially its service life could not be redetermined) even though **it is directly**

connected with the construction of a full-scale plant and is expected to operate **only as** a pilot plant until the full-scale plant is constructed, in operation, and accepted for its intended purpose. The costs of designing and constructing all **buildings or** structures in which experiments **or demonstrations** are to be reconducted, **as well as** the related auxiliary or supporting facilities, such as **utility** systems, roads, and **walks**, shall be included in the construction project and capitalized when completed.

- (3) Capital equipment required to support experimental and demonstration projects should be treated as capital equipment not related **to construction unless** it can also be reasonably expected to be consumed or destroyed during the experiment or demonstration. For example, capitalize all shop and laboratory equipment, measuring devices, fans, pumps, motors, and other individual items or assemblies of equipment associated with or used to support the experiment but not built into the experiment. The cost of that equipment shall be recorded in the completed **P&CE** accounts when purchased, regardless of source of funding.
- (4) When it is not easy to ascertain the actual costs of items of **P&CE** that were budgeted and accounted for under the operating expenses appropriation that were subsequently capitalized, those items shall be recorded in the completed **P&CE accounts by** using estimated amounts approved by the Head of the Field Element.

h. General Plant Projects.

- (1) General plant projects are miscellaneous minor new construction projects of a general nature, the total estimated costs of which may not exceed the congressional authorization **of \$1.2 million** per project. General plant projects are necessary to adapt facilities to new or improved production techniques, to effect economies of operations, and to reduce or eliminate health, fire, and security problems. These projects provide for design or construction (or both); other capital alterations and additions; and improvements to land, buildings, and utility systems, and they may include **construction of** small new buildings, replacements or **additions to** roads, and general area improvements. The cost of installed equipments included **when it** is an integral part of the project.
- (2) By their nature, general plant projects **are difficult to** detail in advance and are **subject to** changing priorities and requirements, emergencies, and contingencies arising after the budget submission that may force changes in scope, schedule, **and the order in** which these projects are undertaken.
- (3) General plant project moneys are not intended to be used in incremental segments to construct larger facilities. Care should be exercised to ensure that each specific **project is** a discrete, stand-alone entity. Each project is to result in the **delivery of a complete** and usable facility.
- (4) When design is **funded in** one fiscal year and construction is funded **in the** next fiscal year, every effort shall be made to complete the construction as early as possible. The cognizant field element must **maintain** controls

to ensure compliance with the **\$1.2 million limitation and incremental funding prohibitions.**

i. Existing Facilities Moved Because of Construction Activities.

- (1) Moving existing permanent **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** shall be budgeted and accounted for as cost of the new project. Removal costs shall be charged to Construction **Work in Progress-Status Code for Removal Costs**. The book cost of **materials reused in the** new project shall be **credited** to Construction **Work in Progress-Status Code for Salvage Credits**, and charge **the assigned** cost to the new project. The book cost of other materials salvaged shall also be **credited** to Construction **Work in Progress-Salvage Credits**, and this cost shall be charged **to inventory** or other appropriate accounts. Removal costs and salvage credits shall 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) shall be charged to Plant and Capital Equipment Adjustments-Extraordinary Losses (**B&RYN**). The book cost of the retired **facilities** shall be closed directly to **the appropriate** accumulated depreciation account.
- (2) Costs of moving temporary construction facilities shall be charged to Construction **Work in Progress** accounts and distributed to all projects served by the temporary facilities. (See DOE 2200.7, COST ACCOUNTING, Chapter I, "Costing.")

j. Closeout of Construction Projects.

- (1) The total cost of a **line item** or general plant project or inoperative unit within a project shall be closed to the completed **P&CE accounts** from the Construction **Work in Progress** account as **close to** the date of beneficial occupancy as possible, but generally not to exceed **6 months** after each operative **unit is** placed in full service. Project management staff shall notify finance staff of beneficial occupancy of a facility. Each **principal** 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 shall be **closed to** the completed **P&CE** accounts on the basis of actual total cost **incurred to** date. 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, shall 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 shall be made. Insignificant costs that arise later may be written off through **P&CE** adjustments. Costs of individual elements closed during the year may be initially assigned to asset type Unclassified Plant and

Equipment, but at yearend such costs must be appropriately **reclassified** (based upon estimates, if necessary) **to their probable** asset types.

- (2) To prevent the improper expenditure of funds or accumulation of **costs at** the end of the project and to facilitate **the reconciliation** of real property accountability records with financial control accounts, the finance and project management staffs shall establish effective procedures to provide for the closing out of construction projects **in whole or in part** as **soon as** feasible after beneficial occupancy and acceptance by DOE.
- (3) DOE **2200.8B, ACCOUNTING SYSTEM, ORGANIZATIONS, AND REPORTING**, Chapter 11, "Internal Reporting," contains the requirement for preparation **of a final** cost report by the prime construction contractor or architect-engineer, depending upon the type of contracting 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 shall be prepared under the general joint direction of finance, construction, and property management in the responsible field element.

k. **Reporting Requirements.** The real property recorded on the financial **records of** DOE and its integrated contractors shall be reported in the financial **state-**mentsof the Department. (See **DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING**, for specific requirements for both internal and external reporting.) Generally, the financial statements or the footnotes thereto shall disclose, at **a minimum**, 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.

1. **Reconciliation of Real Property.** DOE organizations and integrated contractors shall reconcile annually their property records with summary financial control records. The annual reconciliation shall use the financial control **records as of 9-30**. To assist with the **reconciliation** of the Real Property Inventory System (**RPIS**) and the Financial Information System (**FIS**), the following guidance shall be observed:

- (1) **FIS** shall contain the official **DOE financial** control amounts.

- (2) To **permit agreement** with the 9-30 **FIS** financial control records, restrict changes **and additions to RPIS** to real property changes incurred only through 9-30. October changes may not be **recorded in RPIS until** November.
- (3) To ensure that real property changes are recorded **in** the same month and amounts **in both FIS and RPIS**, both **financial** and facility management shall coordinate real property changes.
- (4) Only appropriate real property asset-type and use status codes shall be used. (See DOE **2200.10A**, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES, Chapter II, "Financial Codes.")
- (5) The cognizant project manager shall provide an **allocation to the appropriate** asset type codes for any project in which the property has been accepted for beneficial occupancy even though the final cost **report is** not complete.

3. PERSONAL PROPERTY AND CAPITAL EQUIPMENT.

a. Definition. For financial management purposes, personal property **is** generally capitalizable property that can **be moved—that is**, not permanently **affixed to** and part of the real estate. Generally, **items** remain personal property **if they** can be removed without **seriously damaging or diminishing** the functional value of either the real estate or the items themselves. Examples of personal **property are** shop equipment, motor vehicles and aircraft, construction equipment, and automated data processing and peripheral equipment.

b. Capital Equipment Type Accounts. Ledger subsidiary accounts shall **be maintained** to include **capital** equipment by account and additional data code **elements, such as** asset type, use status, and site, **which are listed and described in DOE 2200.10A**, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES, Chapter II. "Financial Codes."

c. Financial Controls Over Capital Equipment.

- (1) All **capital** equipment, except as **qualified** below, shall be recorded in the ledger control account Completed Plant and Capital Equipment, which is supported by summary and detail accounts for each **DOE activity**.
- (2) The Construction **Work in Progress** account shall **identify the costs to** purchase, fabricate, and **install** individual **items of capital** equipment not related to construction **using P&CE appropriated** funds (Budget and Reporting **Classification Code 35, Capital Equipment Not Related to Construction**). **When the individual items** are installed and placed **in operation** (or, **in the case of offsite nonintegrated** contractors, reported by **the semiannual** report), they shall be closed to the completed **P&CE** account. The costs **to similarly acquire capital** equipment **using** expense funds shall be accumulated **in the** budget and reporting structure for programmatic activities and transferred (**using** nonfund accounting entries) directly into the **Completed Plant and Equipment** account.

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

d. Equipment Acquired by Purchase.

- (1) The cost of equipment **acquired** by purchase **includes** net 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 shall be the lesser of the net invoice cost plus the allowance for the traded-in item, or the net invoice cost **if there is** no trade-in.
- (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.
- (3) The amount **capitalized by** exercising the option to purchase **under a** short-term lease arrangement includes the purchase price **stipulated in** the contract, net of any allowances, plus prior costs of transportation and installation, inapplicable.

e. Equipment Acquired by Lease.

- (1) A lease that meets the industry and General **Accounting Office**-mandated standards of a capital lease as further described in the following **paragraphs** **is** an installment purchase contract for a capital asset and shall be budgeted, accounted for, and disposed **of accordingly**. Lease payments shall be charged to the program activity benefiting from the use of the property. The distinction between capital expenditures and operating expenditures shall be identified to ensure proper accounting for these purchases, particularly when commitment documentation is processed. This distinction shall be maintained when preparing procurement request documents.
- (2) Generally, the decision **to acquire capital** equipment by lease is supported by a lease-versus-purchase analysis in accordance with DOE Acquisition Regulations, part 907, subpart 907.402-70, and **OMB Circular A-104**. All leases **of capital** assets must be justified as **preferable to** direct Government purchase **and ownership**. To develop this comparative cost analysis, "overall costs" of the equipment over the stated life of the equipment shall be identified. Overall costs shall include but not be limited to such cost elements as purchase cost, rental costs, lease cost, maintenance cost for purchased equipment, site preparation cost, and installation cost. In performing a comparative cost analysis of the alternative methods of acquisition, the discounted (present value) life-cycle cost of **leasing** shall be compared with the cost of buying an identical asset.

- (3) The cost of capital equipment acquired under a lease-to-ownership arrangement shall be treated as a capital lease (comparable to an installment purchase contract), and the property shall be capitalized if, at the inception of the lease, any of the following criteria are met:
- (a) The lease transfers ownership of capital equipment to the lessee by the end of the lease term.
 - (b) The lease contains a bargain purchase option (that is, a provision giving the lessee the option to purchase the leased capital equipment for a price sufficiently lower than the expected fair value of the property at the date the option becomes exercisable) and exercise of the option appears, at the inception of the lease, to be reasonably assured.
 - (c) The lease term is equal to 75 percent or more of the estimated economic life of the leased equipment (that is, the estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease).
 - (d) The present value of the rental and other minimum lease payments, excluding that portion of the payments that represents executory costs, such as insurance, maintenance, and taxes to be paid by the lessor, is at least 90 percent of the fair value of the leased property over any related investment tax credit retained and expected to be realized by the lessor.
 - (e) The last two criteria do not apply if the beginning of the lease falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use.
- (4) The present value shall be computed using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt unless the following conditions apply:
- (a) It is practicable to learn and use the interest rate implicit in the lease computed by the lessor, and
 - (b) The implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt, as described in OMB Circular A-104.
 - (c) For acquisitions of automatic data processing and telecommunication equipment, use the discount rate specified in the Federal Information Resources Management Regulations (41 CFR 201-24.208(b) and 24.305).
- (5) The lease of capital equipment that meets one or more of the criteria in paragraph 3e(3) is a capital lease and shall be accounted for as a property

acquisition at the time of delivery to DOE. The lease shall be recorded at the lower of the property's fair value or the computed present value of the minimum lease payments by a nonfund debit to the completed P&CE accountant an offsetting nonfund credit to a liability account (Deferred Credits). The difference between the total lease payment 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 shall be applied to reduce the lease liability. To compute the amount allocated to interest expense, the same interest rate shall be applied to compute the present value of minimum lease payments. Summary Class Code 64, P&CE Acquisition from Capital Leases, shall be used for the nonfund asset write-on accounting entry.

- (6) For those capital leases funded from P&CE appropriations, the monthly cost accrual for the lease should be debited to budget and reporting program 35 or 39 as appropriate on a fund basis in the Construction Work in Progress account. At the same time, a nonfund adjusting entry should be made, crediting this same account using summary class code 64, and debiting the Deferred Credit account.
- (7) In instances where capital leases are funded from the operating expenses appropriations, debit the full monthly cost accrual for the lease to an operating expense program on a fund basis. At the same time, a nonfund adjusting entry shall be made, crediting the same operating expense program and debiting the liability account Deferred Credits for a proportionate share of the amount capitalized. In this situation, legal counsel shall ensure that the restriction on the use of operating appropriations for equipment purchases as stated in the Energy Reorganization Act of 1978, Public Law 95-238, 2-28-78, section 111(b)(2), is not violated. Under section 111(b)(2), operating appropriations, pursuant to an authorization act, may not be used for any major item of equipment, including collateral equipment, if the estimated cost to DOE exceeds \$2,000,000, unless such item has been previously authorized by the appropriate committees of the House of Representatives and the Senate or the appropriate committees do not object to the purchase of the item under procedures outlined in section 111(b)(2).
- (8) Capital equipment acquired by capital lease shall be depreciated. Depreciation shall be recomputed and recorded based upon either the expected service life of the leased property or the term of the lease, as appropriate. The property shall be depreciated over its estimated service life if the criterion used to classify the lease as a capital lease was either of the following (in all other cases, the property shall be depreciated over the term of the lease):
 - (a) Ownership of the property is to be transferred to DOE by the end of the lease term, or
 - (b) The lease contains a bargain purchase option.

- f. **Equipment Acquired by Construction.** If an individual item of capital equipment related to a construction or fabrication activity is an integral part of that activity or is related to, designed for, or specially adapted to the functional or productive capacity of that activity, then the costs to purchase, fabricate, and install such an item shall be included in the cost of the activity.
- g. **Equipment Fabricated.** The costs of items fabricated in a contractor's shop or by scientific personnel in a laboratory shall be capitalized, and those costs shall be recorded in the Completed Plant and Equipment account. Actual costs may be used whenever possible, but an estimate approved by DOE management may be used when necessary.
- h. **Equipment Acquired by Transfer.** (See DOE 2200.9B, MISCELLANEOUS ACCOUNTING, Chapter VII, "Transfers." for detailed instructions regarding the accounting for P&CE transfers between DOE offices, between DOE integrated contractors, and between DOE and other Federal agencies.)
- i. **Plant and Equipment Acquired by Foreclosure Processes.** Property acquired by foreclosure processes shall be recognized at its appraised value. The difference between amounts due and costs incurred shall be recognized and assets recorded at the appraised value as a current period loss or gain.
- j. **Property Acquired by Other Means.** Property acquired by donation, devise, forfeiture, or confiscation shall be recorded at the estimated fair value plus any costs incurred to place the property in use.
- k. **Equipment Acquired for Research.**
 - (1) The cost of property purchased or fabricated for use in research may be charged to operating expense if the property is not expected to have a service life of more than 2 years in essentially its original form, even though it may meet the monetary and physical criteria that would otherwise require it to be accounted for as a P&CE addition.
 - (2) The cost of altering and rearranging property used in research laboratories may be charged to operating expense if the physical characteristics or value of the property are not changed significantly by such alterations and rearrangements.
- 1. **Capital Equipment Acquired Through an Interagency Agreement.**
 - (1) 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. Interagency agreements are typically procurement instruments that are written to clearly specify goods to be furnished or work contemplated, reporting requirements, procurement and patent policy, and arrangements for transferor funds. The Director of the Office of Procurement, Assistance and Program Management, or designee, has the authority to execute interagency agreements obligating DOE funds.

- (2) If capital equipment is purchased **or otherwise** acquired by the other **agency's** funds, see **paragraph 3m.**
 - (3) **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, then the following shall apply:
 - (a) The **title thereto** shall vest in DOE,
 - (b) The other Federal agency shall be accountable for the property until it **is** transferred to DOE, and
 - (c) The other Federal agency shall maintain **a record** of capital equipment procured or fabricated.
 - (4) Unless expressly authorized by the **contracting officer in advance,** the other Federal agency shall not be reimbursed for the procurement or fabrication of capital equipment.
 - (5) At the termination or completion of the agreement, **accountability and** control of items, regardless of dollar value, shall be transferred to DOE, **if so requested** by DOE. If transfer is not requested, title shall be transferred to the other Federal agency.
 - (6) Not later than 15 days after the close of each reporting period, the other agency shall 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 shall be supported by a list showing **the description,** make, any serial number, and the cost of each item acquired.
- m. **Property Belonging to Others** includes property that is borrowed from **others 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 shall establish detailed procedures to provide effective control over the property. Property control including the vesting of title shall be in accordance with terms and conditions of the agreement (see **DOE-PMR 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 of property belonging to others, and the procedures shall, at a minimum, provide the following:
- (1) Memorandum control records shall **be maintained** that reflect quantities and original acquisition costs, estimated if necessary, of all property belonging to others.
 - (2) The control records shall be supported by **a file** of documentation **pertain-**
ing to the property and, where considered desirable by the Head of the

Field Element. by detailed property record cards maintained on the same **basis as** the records for DOE-owned property. Care shall be taken to ensure that the supporting records clearly show the owner of the **item**, adequate **identification**, the **original** acquisition cost (If known), **the condition** of the property when **received**, the term of the loan, and any other pertinent **details**.

(3) Physical inventories of property **belonging** to others shall be **taken on** the same cycle prescribed for DOE property. Any exceptions must **receive** the prior approval of either the **Director** of the **Office of Administration** and Management (for real property) or the Director of the Office of Procurement, Assistance and Program Management (for personal property).

(4) Possession of property **belonging** to others shall be **appropriately disclosed in** the financial statements a footnote based upon information provided by **the property** management staff.

n. **Special Tooling and Test Equipment.** In the context of nuclear weapons production, special **tooling and special** test equipment are **exemplified by** procured or fabricated nonstandard hardware **with dedicated applications in the** production of a particular product or weapons system. Special **tooling and test equipment includes** all nonstandard manufacturing **tools**, vendors' tools, and quality-acceptance and in-process test equipment and gauges, **as well as tools initially required** for development but intended at the time of procurement or **fabrication** for use **in the manufacturing of weapons**. Special **tooling and test equipment costs** are typically funded **with** operating expense funds and are **budgeted for** and accounted for **in the dominant end-use activity**. Special **tooling and test equipment costs** shall be **recorded in production inventory and unit-amortized to benefiting product** over the total production schedule, and as such they are excepted from the requirement that **items meeting the capitalization criteria be capitalized**.

o. **Reporting Requirements.** To comply with the needs of DOE managers and General Accounting **Office guidelines**, property reports should be **designed to accomplish the following** objectives:

(1) Prompt preparation of all needed **financial** and management reports;

(2) Full disclosure **of significant financial and management information** concerning **acquisition, disposition, and transfer of capital property and equipment**; and

(3) Preparation **and issuance of** reports as often as necessary to be of maximum use to management **officials** and to meet prescribed external requirements (the reporting requirements are part of the normal monthly **or other periodic submission to FIS, which is covered in DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING**).

p. **Reconciliation Requirements.** DOE **field** elements and integrated contractors shall **reconcile their** property records **with** summary **financial** control records

semiannually for personal property and annually for real property. **Offsite nonintegrated** contractors shall submit semiannual summary reports (the **original** and two copies) to the property administrator, showing **the acquisition cost** by asset type for property purchased **as well as disposed of** (see DOE **Acquisition Regulations**, part 945, subpart 945.505-14). After **approving** each report, the property administrator shall promptly send one copy to the office of the Field **CFO** for reconciliation with summary financial control accounting records. **Reconciliation** means comparing the dollar **acquisition cost** by asset type of property in the possession of a contractor with the **dollars by** asset type of property in the corresponding **financial** control account maintained by **the responsible** field element. The nonintegrated contractor shall identify and **explain** differences, and the Field **CFO** shall approve all accounting adjustments to the financial control accounts.

4. GOVERNMENT-OWNED, CONTRACTOR-HELD PROPERTY.

a. **Purpose.** To set forth the general **policy to** be used by the office of the Field **CFO for establishing financial** accounting of Government-owned, **contractor-held** property. **Detailed** property records **maintained** by contractors shall 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 contractors **accomplished by** integrating the contractor's accounts **with** those of DOE. This **integration is** covered in detail in DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING, Chapter I, "Accounting Systems and Organization."

(b) At a **minimum**, property records of integrated contractors shall **include** the following data, which should be useful to both finance and property management personnel :

- 1 Account and supplementary data code number (such as asset type, use status, **and site**);
- 2 Property record unit title and **description**, including inventory or property control number (U.S. Government **identification** tag number);
- 3 **Location** data sufficient to **facilitate physical inventories** and **provide** other necessary **administrative** controls;
- 4 Date of **accounting** entry;
- 5 Reference to accounting journal entry, project number, and other project **information**;
- 6 Date placed **in service**, if **substantially** different from the date of accounting entry;
- 7 **Additions**, **quantity** and dollar amount (**acquisition** cost, net of discounts);
- 8 Retirements. **quantity** and dollar amount; and
- 9 Standard or estimated **service life**.

(3) **Reporting Requirements** of integrated contractors are apart of the normal monthly or other **periodic submissions to FIS (described in DOE 2200.8B, ACCOUNTING SYSTEMS, ORGANIZATIONS, AND REPORTING)**.

(4) **Reconciliation Requirements**. Integrated contractors shall **reconcile** their property records **with** summary **financial** control records **semi-annually** for personal property and **annually** for real property. **Reconciliation** means comparing the dollar **acquisition** cost by asset type of property in the possession of **a contractor with** the dollar by asset type of property **in the corresponding financial** control account **maintained** by the Integrated contractor. The integrated contractor shall **identify** and **explain** differences, and the **Field CFO** shall approve all accounting adjustments to the financial control accounts.

c. **Offsite 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 maybe in the possession or control of a subcontractor.

- (2) **Financial Controls.** An **offsite nonintegrated** contractor shall establish and maintain adequately detailed financial **records on** property **acquisition, disposition,** and fabrication as required by the contract. The cognizant Field CFO shall maintain the summary financial control **accounts.** **At a minimum,** property **records of nonintegrated** contractors should include the following data:
- (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) Sfte code.
- (3) **Reporting Requirements.** The cognizant Field CFO shall 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 shall prepare a semiannual report, as **of 2-28 and 8-31** of each year, for **each of** its contracts and subcontracts, showing the dollar amount and the number of **line items of P&CE by** asset type, that were acquired, **fabricated,** or disposed of during the period. At **a minimum,** the report shall show the beginning balance, acquisition, fabrication, disposition, **and ending** balance. The report shall be submitted 45 days after the end of the reporting **period or final** date of the contract, inapplicable. **The original and two copies of** this report shall be sent to the property administrator, who, in turn, shall provide **copies to** the contracting officer and **to the servicing financial** organization.
- (4) **Reconciliation Requirements.** The 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 shall identify and explain differences, and the Field CFO shall approve all accounting adjustments to the financial control accounts.

5. CONDUCT OF PHYSICAL INVENTORIES.

- a. Introduction. The Director of the Office of Administration and Management is responsible for establishing the frequency and conduct of physical inventories of DOE-owned or DOE-controlled real property. The Director of the Office of Procurement, Assistance and Program Management is responsible for establishing the frequency and conduct of physical inventories of DOE-owned or DOE-controlled personal property. However, as a function of internal control, the results of physical inventories shall be provided to the office of the Field CFO for purposes of reconciliation and adjustment to the financial control accounts.
- b. Frequency. Physical inventories are to be reconducted at all DOE and contractor locations at regular intervals. Physical inventories of real property (such as fencing, buildings, other structures, utilities, and related support systems) are taken at least every 10 years. Physical inventories of capital equipment are to be taken at least every 2 years; more frequent inventories should be taken of sensitive items of equipment easily converted to or for personal use, whether recorded in the completed P&CE accounts or in the equipment accountability records. When experience indicates that an exception to the above inventory cycle is warranted, prior approval of the Director of the Office of Procurement, Assistance and Program Management will be requested, identifying the equipment classification, past experience on physical inventories, the recommended inventory cycle, and any other justification pertinent to the change.
- c. Reporting of Inventories. The results of all physical inventories of completed P&CE items taken at DOE field elements and at contractor locations shall be provided to the property administrator, who shall furnish a copy to the contracting officer and the Field CFO for reconciliation with established financial control accounts. Inventory summaries shall be prepared, showing cost by asset type to facilitate this reconciliation. A signed statement should accompany the results of each physical inventory, stating when the inventory was completed and whether the inventory agrees with the property records. A listing will be provided showing differences (item, quantity, cost, and circumstances). The Head of the Field Element, the property administrator, and the Field CFO shall investigate all significant discrepancies identified through the physical inventory and reconciliation process, determine the causes, and effect remedial measures where possible in order to safeguard against waste, theft, and misuse of property. Adjustments to the accounting records for discrepancies between the results of the physical inventory and the recorded P&CE shall be supported by detailed adjustment analyses approved by

responsible officials, including contracting officers, property administrators, directors of administration, and Field CFO's.

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

- a. **Introduction.** This section establishes the criteria for the financial recording of property acquired or furnished under the terms of DOE grants and cooperative agreements. DOE 4600.1A, FINANCIAL ASSISTANCE PROCEDURES MANUAL, of 4-1-87, sets forth direction for the DOE administration of these instruments, including property management, vesting of title, and reporting of property.
- b. **Definitions.** The term "grant" means money or property provided in lieu of money paid or furnished by DOE to recipients under programs that provide financial assistance or that provide support or stimulation to accomplish a public purpose. The term "recipient" includes the following types of organizations: public and private institutions of higher education, public and private hospitals, community action agencies, research institutes, educational associations, health centers, and State and local governments.
- c. **Reporting Requirements.** Annually and at the completion of the agreement, recipients are required to provide to the contracting officer (who shall provide a copy to the office of the Field CFO) an inventory listing of DOE-owned property in their custody.
- d. **Reconciliation Requirements.** The inventory reports shall serve as the basis for reconciliation of capital assets with the financial control accounting records of the cognizant Field CFO. Reconciliation means to compare the dollar acquisition cost by asset type of property in the possession of a recipient with the dollars by asset type of property in the corresponding financial control account.

7. **DEPRECIATION.**

- a. **Introduction.** Assets are recorded at acquisition cost and in accordance with definitions of types of assets (such as buildings, motor vehicles, and computers). This is done partly to be in compliance with generally accepted accounting principles and, more particularly, in order to calculate depreciation expense. The latter is essential to effectively calculate costs of operation and production, as well as prices to be charged for the products and materials that DOE sells and manufactures. Depreciations considered a means by which the Department can recover the investment in property through the price of goods or services it sells. DOE policy is consistent with the industrial -based accounting concept accepted by the Department and its predecessor agencies. It is the policy of the Department to report depreciation for all Departmental activities and programs. Accumulated depreciation accounts are maintained and reported for each asset type classification of P&CE except Minerals and Timber, for which accumulated depletion accounts are appropriate, and Land, which is not depreciated. Depletion is explained further in paragraph 7f(4).

b. Depreciation Base.

- (1) Depreciation charges shall be based on the cost of depreciable assets recorded in the P&CE accounts, less the estimated net salvage, if significant. Net salvage is the actual or estimated amount recovered or recoverable from the sale, transfer, or reuse of retired P&CE, 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 (includes plant and equipment with inherent useful value as well as with 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, shall 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) Depreciation shall not be recalculated for the following P&CE accounts: Status Code 04, Excess Plant and Equipment, and Asset Code 760, Reserve Construction Equipment Pool. P&CE shall 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 P&CE accounts.

c. Depreciation Methods. As discussed in paragraph 7b(4), the straight-line method of assigning depreciation expense is to be used generally throughout DOE. In practice, the following are methods of applying straight-line depreciation:

- (1) Unit Procedure for Computing Depreciation Expense. Under the unit procedure, a unit of property is depreciated at a rate based on its specific service life. If it is retired from service because of normal causes before the expiration of its estimated service 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 service 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 applicable to surviving units in the group continuing as long as any of the units remain in service,

regardless of age. 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 recharged to the accumulated depreciation account and no **loss or gain** is recognized.

- (3) **Composite Depreciation Rates.** Composite depreciation rates may be applied to P&CE accounts 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 shall 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 shall be redetermined whenever substantial changes occur in the relative proportion of different groups in an account or when individual rates based on standard service lives are changed. To illustrate, assume a P&CE account includes three groups of units, each having a different depreciation rate. The computation of the composite rate would be as follows:

<u>Group</u>	<u>Book Cost</u>	<u>Rate</u>	<u>Annual Depreciation</u>
1	\$10,000	20% (5 yrs)	\$2,000
2	5,000	16.6% (6 yrs)	830
3	<u>35,000</u>	10% (10 yrs)	<u>0</u>
	<u>\$50,000</u>		<u>\$6,330</u>

The composite annual depreciation rate in this situation would be:

$$\frac{\$6,330}{\$50,000} = 12.7\%$$

d. **Standard Service Lives and Field Element Depreciation Committees.**

- (1) ~ * The list in Attachment VI-1 shall be used in determining depreciation rates for all items of completed P&CE except for those items having service 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 service lives.
- (2) **Revision to Standard Service Lives.** Requests for each revision to the standard service lives shall contain a complete description, use made, unit cost, retirement history of identical or comparable items, and recommended service life (including support for the recommendation). In addition to this information, the peculiar uses or other considerations shall be described fully, the dollar investment in the anticipated net salvage value of the P&CE for which revision is requested, and any other

Information considered pertinent to the specific case. The CFO shall review and approve all requests **for revision** to the list of standard **service lives**. (Power marketing administrations should **refer to** publications or studies on utility plant service lives.)

- (3) **Adjustment to Accumulated Depreciation.** When DOE-wide revisions **are made** to standard service lives or when specific deviations from the standards are approved by **the CFO**, an adjustment to Plant and Equipment Adjustments-Services Life Adjustments (**B&R YN**) and to Accumulated Depreciation Accounts for the over- or **underaccumulation** of depreciation shall be made.
 - (4) **Field Element Depreciation Committees.** Each Field **CFO** shall **establish a** Depreciation Committee or **a similar** committee charged with that **responsibility** among other duties, composed of DOE employees. The committee shall coordinate, review, and recommend for submission by the Field **CFO** to the **CFO** all requests **for revisions**, deviations, and additions to the list of **P&CE** standard service lives; periodically review the accumulated depreciation accounts to determine whether the balances are either excessive or inadequate; and further the uniform use of the standard service lives and depreciation rates derived therefrom by the field element **and contractors**. These reviews may be performed on a cyclical basis; any necessary changes in the depreciation accounts shall be made promptly after approval by the cognizant Field **CFO**.
- e. **Recording Depreciation.** Depreciation shall be recorded monthly. The asset base for calculating the monthly depreciation charge shall be the acquisition cost of depreciable **P&CE** accounts, less the estimated net salvage amount, if significant. However, 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 shall **be made effective with** the first of the month following the month in which the change occurred. In the Statement of Operations, depreciation **on the P&CE** in each use status shall be treated as follows:
- (1) **In Service.** Depreciation on **P&CE** in service shall be charged to the appropriate budget and reporting classification (for example, production cost, development, research, or program directions) in which the items are used.
 - (2) **In Standby.** Depreciation on **P&CE** in standby shall be charged to the budget and reporting classification of former use. However, when **there is a definite plan** for the future use of the **P&CE** in standby, depreciation shall be charged to the budget and reporting classification of future use, but standby expense items applicable to production activities shall be 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** budget and reporting classification, the depreciation expense on such equipment shall be allocated to that budget and reporting classification. For equipment held for general or multipurpose use, depreciation expense shall be allocated to budget and reporting classifications on a reasonable and equitable basis.
- (4) **Excess.** Depreciation on **excess P&CE** shall not be recalculated.

f. **Exceptions.**

- (1) **Extraordinary Obsolescence.** Premature retirements of large **groups of** facilities making up an entire processor other function, **or making up a** large segment of a processor other function, that result from unusual and revolutionary changes in technique or other radical changes approved by DOE are considered as retirements due to extraordinary obsolescence. Such retirements **cannot be** foreseen or anticipated and therefore are not **considered** in establishing depreciation rates. Retirement losses resulting from extraordinary obsolescence shall be accounted for by debiting Plant and Equipment **Adjustments—Extraordinary Obsolescence (B&RYN)** and **crediting** the appropriate accumulated depreciation account. Retirements of isolated individual units of equipment shall not be considered as resulting from extraordinary obsolescence.
- (2) **Casualties.** In establishing depreciation rates, retirements of P&CE resulting from casualties that **cannot be** foreseen **or anticipated, such as** storms, earthquakes, explosions, and fires, shall not be reconsidered. At the time of retirement, the net book cost of **P&CE retired due** to such causes should be rewritten off as a nonfund cost.
- (3) **Depreciation of Improvements to Property of Others.** Base depreciation accrual on **P&CE** included in the account Improvements to Property of Others on the normal service lives of the **P&CE involved** or the estimated period of occupancy, whichever is less. **Any cost of P&CE** remaining on the records at the termination of the contract shall be written off, **either at** that time or upon the disposal of the property, by charging the account Plant and Equipment Adjustments **(B&RYN)**.
- (4) **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 a depletion rate per unit. The annual depletion expense is the rate per unit times the number of units extracted during **a year**.
- (5) **Oil and Gas Pro.** In computing depletion for properties that contain both oil and gas, the oil and gas reserves and the oil and gas produced shall be converted 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 shall be revised whenever there has been a significant change **in oil** and gas reserves, but at least once a year. Capitalized costs shall be 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** of **depreciation** in **the year** of acquisition and the other half **in the year** of disposition).

STANDARD SERVICES LIVES¹

	Service Life (Years)
Absorbers	20
Accelerators	20
Acid handling equipment	10
Adsorbers	20
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
Airpreheaters	25
Air supply units	20
Alley, robot, complete	10
Ash handling systems	20
Autoclaves	20
Automatic data processing equipment	7
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
Beds, cooling	25

¹Power marketing administrations should refer to publications or studies on utility service lives.

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
Briquettters	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

Community furnishings and equipment, musical instruments

Service
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

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Attachment VI-1

Community furnishings and equipment, playground equipment

	Service 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 cubic feet tank size, 40 ft of deck length, or 3 sq ft 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
Deheaders , drum	10
Dehumidifiers (over 20 cubic feet tank size)	20

Service
Life (Years)

Deionizers (over 100,000 g of CaCO_3)	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
Hearth	25
Heat treating	25
Roasting	20
Tilting pot	20

	Service Life (Years)
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
Instruments:	
Engineering	25
Industrial	15
Measurement and control	10
Surveying	25

	Service Life (Years)
Intercommunication systems	15
Irrigation canals	100
Janitorial service equipment	10
Jolters	5
Kettles, heating and melting	15
Kilns (over 50 cubic feet)	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
Farm machinery	15
Pumps	20
Road machinery	10
Tractors	10

	Service Life (Years)
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 (W 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
Pistol or rifle range equipment	15
Platform lifts, portable	25
Platforms:	
Concrete	25
Steel	25
Transformer	20
Wood	10

	Service Life (Years)
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
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

Service
 Life (Years)

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
Traveling	25
Vibrating	20
Scrubbers (tank over 20 cubic feet)	20
Security alarm system	25
Separation equipment	20
Septic tanks	35
Services:	
Electric	25
Gas	40
Sewer	30
Water	40

	Service Life (Years)
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
Structures, outdoor substation:	
Metal	40
Wood	25
Superheaters (tank over 20 cubic feet or 100 sq ft 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

	Service Life (Years)
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
Wires, open. overhead	25
Wiring systems. outdoor	30

1-7-93

DOE 2200.6A
Attachment VI-2

STANDARDPROPERTY RECORD UNIT CATALOG

Samples of property record unit catalog entries areas follows.

DOE Asset Type: 401

Name: LAND

Definition: Includes the cost of land owned by the Government and under the control of DOE. The cost of land includes the purchase price, other acquisition costs, and removal costs less salvage from disposing of any facilities acquired with the land

Property Record Unit: LAND

Number: 401.01

Explanation: Includes all land owned by the Government and under the control of DOE

Standard Description: Location and legal description

Manner of Recording: Record the acres **at each location**

Retirement Unit: LAND

DOE Asset Type: 410

Name: LAND RIGHTS

Definition: Includes the cost of rights, interests, and privileges relating to land such as leaseholds, easements, rights-of-way, water and water power rights, diversion rights, and submersion rights

Property Record Unit: LAND RIGHTS

Number: 410.01

Explanation: Includes all **rights**, interests, and privileges **relating to** land

Standard Description: Location, type of land right, and legal description

Manner of Recording: Record the physical measure (acres, acre feet, inches, etc., as appropriate) by each type of **land** right at each location.

Retirement Unit: LAND RIGHTS

DOE Asset Type: 470

Name: ROADS, WALKS, AND PAVED AREAS

Definition: Includes the cost of roads, bridges, streets, walks, paved parking areas, and paved open areas between buildings, including any related costs of clearing, grading, base, surfacing, storm sewers or drains, curbs, gutters, culverts, and other related facilities

Property Record Units

Number

ROADS AND STREETS

470.01

WALKS

470.02

PAVED AREAS

470.03

DOE Asset Type: 470**Property Record Unit: ROADS AND STREETS**

Explanation: Includes all surfaced roads and streets with related site preparation, grading, base, drainage, surfacing, lighting, and signs

Standard Description: Location, identifying name or number, and brief description that includes type of construction, length, width, and area of surface of road or street and number and type of construction of bridges and culverts

Manner of Recording: Record each road or street **at each location**

Retirement Unit**Description**

BRIDGE

Each having a span of **6 ft or more**

CONDUCTOR CABLE OR WIRE

Criteria to be issued**CONDUIT-POWER AND CONTROL**

Criteria to be issued

CULVERT (including **headwalls**)

Arched

A continuous section having an inside width of 6 ft or more at the base and 50 ft or more in length

Pipe

A continuous section 3 ft or more in diameter and 50 ft or more in length

CURBS AND GUTTERS

A continuous section of **900 linear feet or more**

DISCONNECT SWITCH

2 or more switches for 1 circuit

DRAIN BASIN

Each unit having a connecting pipe size of **36 in. and over in diameter**, including **walls**, bottom, and grate covering

FENCE-CHAIN LINK

A continuous section measuring 4,000 ft² or more above the surface**FENCE-NONCHAIN LINK**A continuous section measuring **7,500 ft² or more above the surface**

GATE-ELECTRIC

Each

GUARD RAIL

A continuous section of single or multiple rail of 900 linear feet or more

LIGHTNING ARRESTER

A set of 2 or more for 1 circuit

<u>Retirement Unit</u>	<u>Description</u>
LINE TOWER	Each, Including tower, hardware, crossarms , guys, anchors, grounds, and special foundations
MANHOLE	Each
OPEN DRAIN DITCH	A continuous section of 500 yd³ or more
POLES AND FIXTURES	A group of 6 or more poles in adjoining order , Including all fixtures
RETAINING WALL	A continuous section measuring 500 ft² and over, Including foundation
ROAD OR STREET	
Asphalt and concrete surface	A continuous section of 1,000 yd² or more that includes the placing of a layer of surface material 2 in. or more in depth
Stone and gravel surface	A continuous section of 2,000 yd² or more that Includes the placing of a layer of surface material 2 in. or more in depth
TRAFFIC SIGNAL	Each
TRANSFORMER	Each over 100 kVA or a bank totaling 100 kVA or over

DOE Asset Type: 470**Property Record Unit: WALKS**

Explanation: Includes all surfaced walks with related site preparation, grading, base, drainage, surfacing, lighting, and signs

Standard Description: Location and brief description that includes type of construction; length, width, and area of surface of walk; and number and type of construction of bridges and culverts

Manner of Recording: Record squareyardsof each walk at each location

<u>Retirement Unit</u>	<u>Description</u>
BRIDGE	Each having a span of 6 ft or more
CONDUCTOR CABLE OR WIRE	Criteria to be issued
CONDUIT-POWER AND CONTROL	Criteria to be issued
CULVERT (including headwalls)	
Arched	A continuous section having an inside width of 6 ft or more at the base and 50 ft or more in length
Pipe	A continuous section 3 ft or more in diameter and 50 ft or more in length
DISCONNECT SWITCH	2 or more switches for 1 circuit
DRAIN BASIN	Each unit having a connecting pipe size of 36 in. and over in diameter, including concrete walls, bottom, and grate covering
GUARDRAIL	A continuous section of single or multiple rail of 900 linear feet or more
LIGHTNING ARRESTER	A set of 2 or more for 1 circuit
LINE TOWER	Each, including tower, hardware, crossarms, guys, anchors, grounds, and special foundations
MANHOLE	Each
OPEN DRAIN DITCH	A continuous section of 500 yd³ or more
POLES AND FIXTURES	A group of 6 or more poles in adjoining order, including all fixtures

Retirement Unit

Description

TRANSFORMER

Each over 100 kVA or a bank totaling 100 kVA or over

WALKS (Including curbs
and gutters that are not
part of a road or street)

Asphalt and concrete surface

A continuous section of 1,000 yd² or more that
includes the placing of a layer of surface material
2 in. or more in depth

Stone and gravel surface

A continuous section of 2,000 yd² or more that
includes the placing of a layer of surface material
2 in. or more in depth

DOE Asset Type: 470**PROPERTY RECORD UNIT: PAVED AREAS**

Explanation: Includes all paved areas with related site preparation, grading, drainage, lighting, signs, and surfacing not previously defined as a road, street, or walk

Standard Description: Location and brief description that includes type of construction; length, width, and area of surface of paved area; and number and type of construction of culverts

Manner of Recording: Record square yards of each paved area at each location

Retirement Unit	Description
BUMPERS-PARKING	Precast concrete parking blocks, aggregating 1,200 linear feet or more in a given parking area
CONDUCTOR CABLE OR WIRE	Criteria to be issued
CONDUIT-POWER OR CONTROL	Criteria to be issued
CULVERT (including headwalls)	
Arched	A continuous section having an inside width of 6 ft or more at the base and 50 ft or more in length
Pipe	A continuous section 3 ft or more in diameter and 50 ft or more in length
CURBS AND GUTTERS	A continuous section of 900 linear feet or more
DISCONNECT SWITCH	2 or more switches for 1 circuit
DRAIN BASIN	Each unit having a connecting pipe size of 36 in. and over in diameter, including concrete walls, bottom, and grate covering
FENCE-CHAIN LINK	A continuous section measuring 4,000 ft² or more above the surface
FENCE-NONCHAIN LINK	A continuous section measuring 7,500 ft² or more above the surface
GATE-ELECTRIC	Each
LIGHTNING ARRESTER	A set of 2 or more for 1 circuit

Retirement Unit

Description

LINE TOWER	Each, including tower, hardware, crossarms , guys, anchors, grounds, and special foundations
MANHOLE	Each
OPEN DRAIN DITCH	A continuous section of 500 yd² or more
PAVED AREA Asphalt and concrete surface	A continuous section of 1,000 yd² or more that includes the placing of a layer of surface material 2 in. or more in depth
POLES AND FIXTURES	A group of 6 or more poles in adjoining order, including all fixtures
RETAINING WALL	A continuous section measuring 500 ft² and over, including foundation
TRANSFORMER	Each over 100 kVA or a bank totaling 100 kVA or over

DOE Asset Type: 490**Name:** OTHER IMPROVEMENTS TO LAND**Definition:** Includes the cost of improvements not under DOE asset type codes 460, 470, or 480, such as airports, playgrounds, tennis courts, and athletic fields

<u>Property Record Unit</u>	<u>Number</u>
AIRPORTS	490.01
BURIAL GROUNDS	490.02
PISTOL AND RIFLE RANGES	490.03
ATHLETIC FIELDS	490.04
TENNIS AND/OR HANDBALL COURTS	490.05
SKI RUNS OR SKATING RINKS	490.06
PLAYGROUNDS	490.07
PICNIC GROUNDS	490.08
SWIMMING POOL	490.09

DOE Asset Type: 490

Property Record Unit: AIRPORTS

Explanation: Includes all airports with related site preparation: grading; **landscaping** drainage; paving of runways, aprons, **taxiways**, and parking areas; **cattleguards**; **tiedown** anchors; and navigational lighting and painting

Standard Description: Location, overall dimensions of each airport, and brief description that includes number, type of construction, length, and width of runways; area of surface of **taxiways** and parking areas; type of navigational lighting; and a list of all other accessories

Manner of Recording: Record each **airport at** each location

<u>Retirement Unit</u>	<u>Description</u>
BASINS OR POOL	Each
CONDUCTOR CABLE OR WIRE	Criteria to be issued
CONDUIT-POWER AND CONTROL	Criteria to be issued
CULVERT (including headwalls)	
Arched	A continuous section having an inside width of 6 ft or more at the base and 50 ft or more in length
Pipe	A continuous section 3 ft or more in diameter and 50 ft or more in length
DISCONNECT SWITCH	2 or more switches for 1 circuit
DRAIN BASIN	Each unit having a connecting pipe size of 36 in. and over in diameter, including concrete walls, bottom, and grate covering
FENCE-CHAIN LINK	A continuous section measuring 4,000 ft² or more above the surface
FENCE-NONCHAIN LINK	A continuous section measuring 7,500 ft² or more above the surface
GATE-ELECTRIC	Each
LIGHTNING ARRESTER	A set of 2 or more for 1 circuit
LINE TOWER	Each, including tower, hardware, crossarms , guys, anchors, grounds, and special foundations

Retirement Unit**Description**

MANHOLE

Each

OPEN DRAIN DITCH

A continuous section of 500 yd³ or morePAVED AREAS (runway, **taxiway,**
parking area)

Asphalt and concrete surface

A continuous section of 1,000 yd² or more which includes the placing of a layer of surface material 2 in. or more in depth

POLES AND FIXTURES

A group of 6 or more poles in adjoining order, including all fixtures

TRANSFORMER

Each more than **100 kVA or a bank** totaling **100 kVA** or more



CHAPTER VII

LIABILITIES

1. INTRODUCTION.

- a. **Background.** This chapter prescribes the policies and general procedures for recording and reporting liabilities. It covers accounts payable: accrued expenses; interest payable; accrued payroll and benefits; accrued leave; unearned revenues, including advances; deposit funds; debt issued under borrowing authority; bonds; loan guarantees and loan commitments; and contingent liabilities. For the specific codes of accounts and entries used in recording liabilities, see DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.
- b. **Applicability.** The applicability of this chapter is specified in DOE 2200.4, ACCOUNTING OVERVIEW, Chapter I, "Introduction," paragraph 1.
- c. **Policy.**
- (1) All liabilities shall be measured and recorded as accurately as possible, given the circumstances under which the liability was created.
 - (2) Incurred liabilities shall be recorded and/or footnoted irrespective of whether funds are available or authorized for payment. The status of funding shall be reported in applicable footnotes.
 - (3) Contingent liabilities should be evaluated and entered into the accounts and/or annotated on the financial statement as a narrative footnote, as appropriate, to ensure full disclosure. Do not disclose in the financial statements the amount of any potential liability if such a disclosure would compromise the Government's position in court or in negotiating a settlement.
 - (4) Separate accounts are established for major categories of liabilities to facilitate their clear and full disclosure on financial statements. Accounts will be classified as either current or long-term and will differentiate between Federal and non-Federal liabilities. Accounts will provide for the classifications contained in the DOE chart of accounts (DOE 2200.10A, Chapter I, "Balances Sheet Codes"). Current liabilities are those payable within 1 year from the end of the accounting period or from the date of the financial statement. Long-term liabilities are those payable beyond 1 year from the end of the accounting period or from the date of the financial statement. If part of the long-term liability matures or otherwise becomes payable within 1 year from the end of the accounting period or from the date of the financial statement (for example, maturing bond issues), then classify the portion that matures within 1 year as a current liability.

- (5) **Maintain** accounts on an accrual basis. Costs and revenues shall be **identi - fied 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 **subse- quent accounting** period. **A balance** should **be maintained** between the effort required to measure accrued costs precisely and the added **value of** such **precision**.
- (6) Record unearned revenues, which are advances and prepayments received, as **liabilities**. 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 (II GAO A30.04) .
- (7) Unused annual leave **is included** in accrued **liabilities at the end** of the **fiscal year** (II GAO C30.02). Annual leave for DOE employees is **accrued on a nonfund basis**.

2. TYPES OF LIABILITIES.

- a. **Accounts Payable** are amounts owed to others for goods and **services received** and assets acquired. Liabilities recorded **in financial** statements shall reflect both invoices received and accruals for any costs incurred or assets received for which progress billings, grant reimbursement requests, and other **billings** have not yet been received (II GAO A10). Any percentage of amounts due to contractors that DOE retains as a guarantee of performance may remain in a special account established **for retention**. Support 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.

- (1) **Invoices**. Conventional trade **invoices with supporting** documents (**pur- chase orders, receiving reports, and requisitions**) are the best evidence and most useful support for accounts payable. When appropriate, support invoices (or bills) with documentary reports of inspection **and accep- tance**. Record accounts payable on the **basis of** a fully supported **and valid** invoice, as covered in Chapter I, "Cash."

(2) Accruals.

- (a) Accrual accounting methods more accurately reflect the actual reve- nues and costs of a given period. As such, accrual accounting pro- **vides** an important financial information refinement of accounting data **with which** to manage operations. Therefore, all accounts shall **be maintained on** an accrual basis. Identify and record each cost or revenue in the period in which **it is** incurred, even when **receipt of** the revenue or the expenditure occurs in a subsequent accounting period.

(b) When recording accruals, **consider, as a minimum, the following areas:**

1 **Materials, Equipment, and Other Contractual Services.**

- a Utility services received or used.
- b Materials, equipment, and services actually received and accepted or materials and equipment shipped free on board shipping point (constructive receipt).
- c Time, material, and services from contractors and subcontractors.
- d Cost of work performed by other Federal agencies, determined from monthly cost reports or best estimates obtainable.
- e Cost-type contracts and subcontracts. Accrue **the cost of work** completed but not billed by contractors through the end of each month based upon information submitted by the contractors in accordance with the terms of the contracts otherwise prescribed.
- f Long-term contracts for the purchase of property, plant, and equipment. Accrue the cost of property, plant, and equipment manufactured or constructed under such contracts on the basis of verified estimates of work completed (the percentage-of-completion method) per contractor reports or invoices received during each accounting period, rather than on disbursements made. Also, record appropriate **liabilities** for contract **retainages**, if any. Adjust the appropriate property, plant, and equipment accounts, including construction **work in progress**, on the basis of **liabilities** recorded (II GAO L40).
- g State and local sales taxes.
- h Integrated contractor contract award or fixed fee.
- i Freight (where significant).

2 **Travel.** For travel, accrue transportation costs **in full** in the month in which the travel begins. Meal **and incidental** expenses shall be accrued in the months in which they occur.

3 **Financial Assistance Awards.** Accrue **the cost of work** performed under assistance agreements based on reports required under the provisions of the agreement or such other information **as may be** required. Standard financial report forms, instructions for their completion, and applicable definitions are **contained in** Office of Management and Budget (OMB) Circular **A-110**,

Attachment G: OMB Circular A-102; DOE 1332.2, UNIFORM REPORTING SYSTEM FOR FEDERAL ASSISTANCE (GRANTS AND COOPERATIVE AGREEMENTS): DOE 4600.1A, FINANCIAL ASSISTANCE PROCEDURES MANUAL; and 10 CFR 600.116.

- b. **Interest Payable.** Accrue Interest expenses. These expenses typically arise from interest due on long-term **debts**, capital lease **obligations**, and late payment **of invoices** (II GAO 120). The accounting records must distinguish between **interest** payable to non-Federal entities and interest **payable to** other Federal agencies.
- c. **Accrued Payroll and Benefits.** Accrue the unpaid wages and benefits that employees have earned at the close of each accounting period.
- d. **Accrued Leave.**
- (1) **Annual Leave.** Accrue and record the expense and related liability for annual leave at the wage rate at which the leave is earned. Adjust the liability to reflect all pay increases and unused leave balances at the end of the fiscal year (II GAO C30). Make year-end adjustments to allow for statutory limitations to leave amounts and to provide for employees transferred in or out during the year. Charge the annual cost of unused leave to the net **cost of operations**. Accrued leave for DOE employees will be recorded as a nonfund cost.
 - (2) **Compensatory Leave.** For accrual purposes, treat compensatory leave **as if** it were annual leave.
 - (3) **Sick Leave.** Unless a contractual requirement exists for employees to be paid for unused sick leave, sick leave shall not be accrued.
- e. **Unearned Revenues** represent payments from others to cover the **cost of** services, materials, or other assets that DOE will furnish in the future (II GAO A30). 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 cosponsored **projects**, see Chapter IX, "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.
- f. **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.

g. **Suspense Accounts include** credits arising in the course of operations that cannot be analyzed readily **and credited to** the proper account because of inadequate information, uniqueness of the transaction, or similar **complications**. Temporarily credit such items to the suspense account to avoid undue delays of monthly closing. Determine the proper account for all suspense items and credit them accordingly as soon as possible. At the end of the fiscal year, all suspense items must be analyzed and cleared to the proper accounts; nothing should be deferred at yearend.

h. **Debt Issued Under Borrowing Authority.**

- (1) DOE occasionally receives appropriations that provide programs with authority to borrow funds. Borrowing authority **is limited** by the amounts specified in the appropriation acts. Funds that are borrowed to finance appropriated **obligational** authority must **be repaid** into the General Fund of the Department of the Treasury. Interest shall be charged from the date the funds are credited to the appropriation until the date of repayment.
- (2) Power marketing administration legislation requires recoupment **of appropriated 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 recomputed and repaid to the Department of the Treasury.

i. **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 **incurrences** of liabilities (II GAO **C50 and 35 Comp. Gen. 185-187**).
 - (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 vary, depending **on probability** of occurrence. Record estimated losses in the accounts if information available before financial statements are issued **indicates that it is probable** that an asset has been impaired **or a liability** has been incurred and that the amount can be reasonably

estimated. Disclosure of the nature of an accrual is necessary if the financial statements would be misleading without such disclosure. The decision to disclose shall be based on the materiality of the loss contingency and its possible impact on the agency's financial statements and operations (II GAO C50). If an estimated loss cannot be recorded because one or both of the above conditions are not met or if the estimated loss exceeds the amount recorded and there is a reasonable possibility that a loss or an additional loss may have been incurred, the contingency shall be disclosed in a footnote to the financial statements. Minimum disclosure includes a statement of the nature of the contingency and an estimate of the possible loss, a statement of the range of the possible loss, or a statement that such an estimate cannot be made (II GAO C50).

- (2) **Loan Guarantees and Commitments.** Loan guarantees are agreements by which DOE pledges to pay part or all of the loan principal and interest to lenders or holders of securities in the event of default by third-party borrowers (II GAO L30). For additional information on the DOE Loan Guarantee Program, see DOE 5700.5A, POLICY AND MANAGEMENT PROCEDURES FOR FINANCIAL INCENTIVES PROGRAMS.
- (a) Accrue estimated losses resulting from loan guarantees and commitments when funds are obligated and if information available indicates that it is probable that assets have been impaired or liabilities have been incurred as of the date of the financial statements and that the amounts can be reasonably estimated. For further information on the accrual of anticipated losses on loan guarantees and commitments, see II GAO C50.02-06.
- (b) Disclose all loan guarantees and loan commitments, the total exposure, in footnotes to financial statements. This disclosure shall include the amount and nature of the loan guarantees and loan commitments, the periods of such guarantees and loan commitments, any collateral provisions, and any other information necessary to understand the magnitude and character of the Government's guarantees and commitments.
- (c) Report loan guarantees and loan commitments whether they are funded or not. The footnotes to the financial statements shall disclose whether funds have been obligated.
- (3) **Tort Claims** are contingent liabilities and are disclosed in the financial statements, as discussed in paragraph 2f(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. The following procedures shall be followed for tort claims.

(a) Payment Approvals for Tort Claims.

- 1** Any award, compromise, or settlement in the amount of \$2,500 or less **approved by** the General Counsel (**GC-1**) or a designated claims official shall be **paid by** the Secretary of Energy (**S-1**) or designee.
- 2** Payment of an award, compromise, or settlement in excess of \$2,500 but less than \$25,000 shall be obtained by forwarding Standard Form **1145 (SF-1145)**, "Voucher for Payment Under Federal Tort Claims Act," **to the Claims Division of GAO. If the claim is in excess of \$10,000,** then the authority of DOE subordinate claims officials is subject to the approval of the General Counsel, the Deputy General Counsel (**GC-2**), or the Deputy General Counsel for Legal Services (**GC-40**).
- 3** When an award is in excess of \$25,000, the **SF-1145** must be **accompanied** by evidence that the award, compromise, or settlement has been approved by the Attorney General **or designee**. Such approval must be **reobtained in writing prior to forwarding a claim for processing**.
- 4** When Department of **Justice** approval or consultation **is required,** the referral or request shall be transmitted to the Department of **Justice** by the General Counsel **or a designee**.

- (b) **Report claims paid to** the General Counsel. The report shall include the following **information** in each claim: the name of the claimant, the amount **claimed,** the amount of settlement (**indicating attorney's fees, if any**), and **the amount paid**. Officials covered by the General Counsel **'s delegation of** authority to administer claims under the Federal Tort Claims Act shall also submit **to the** General Counsel semiannual reports of all **pending** claims each 3-30 and 9-30.

- j. **Other Liabilities.** Any other **liability** that has 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 the **liability** should **be identified** and reported, **either by** a footnote **to the financial** statement or by actual inclusion of an amount **in a liability** account **if the potential** amount **due or a loss** can be reestimated. This includes any long-term contracts, indebtedness or agreements, guarantees for future **financing, joint-venture liabilities,** project-financing take-or-pay and throughput agreements, unconditional purchases, off-balance-sheet financing, and other **liabilities** not **otherwise described in this** chapter. **If it is** necessary to **add additional** accounts **to the** chart of accounts, a written request shall be submitted to the **Office of Chief Financial Officer (CR-1)**.



CHAPTER IX

REIMBURSABLE WORK, REVENUES, AND OTHER COLLECTIONS

1. INTRODUCTION.

a. Background.

- (1) Unless specifically authorized by statute, DOE must deposit all collections as miscellaneous receipts into the General Fund of the Department of the Treasury. Enabling, appropriation, and other kinds of legislation provide **DOE with a number of exceptions to** this general rule. This chapter establishes the policy and general accounting procedures for activities that result in DOE collections. Collections received by DOE fall within one of the following categories:
 - (a) Reimbursable work and reimbursements (see paragraph 2);
 - (b) Revenue programs (see paragraph 3);
 - (c) Advances from non-Federal customers for cosponsored work (see paragraph 4);
 - (d) Appropriation refunds (see paragraph 5);
 - (e) Integrated contractor collections (see paragraph 6);
 - (f) Donations, gifts, and bequests (see paragraph 7);
 - (g) Deposit funds (see paragraph 8);
 - (h) Miscellaneous receipts (see paragraph 9);
 - (i) Reimbursable personnel details (see paragraph 10); and
 - (j) Other collections (see paragraph n).
- (2) Attachments **IX-2** through **IX-7** list common DOE collections and the accounts to which they are deposited.

b. Applicability.

- (1) The applicability of this chapter is specified in DOE 2200.4, ACCOUNTING OVERVIEW, Chapter I, "Introduction, paragraph. Paragraphs concerning **acceptance of reimbursable work** into the Department **do not apply to** Integrated contractors.
- (2) Provisions of this chapter do not apply to actions in which DOE is the customer or cash transactions for services between other DOE offices and

DOE contractors (see DOE 2200.9B, MISCELLANEOUS ACCOUNTING, Chapter VII, "Transfers").

2. REIMBURSABLE WORK.

- a. **Exclusions.** The provisions of this section do not apply to: refunds; user charges (31 U.S.C. 9701); revolving fund activities; receipts for cooperative work performed under cosponsored agreements; work or services between DOE locations; actions between DOE integrated contractors; activities involving services, products, or materials regularly produced for sale at schedule rates (e.g., routine irradiation services, isotopes, heavy water, production or transmission of electricity, uranium enrichment services) under Departmental programs, activities funded under the Contributed Funds Act (43 U.S.C. 395) or emergencies as defined in paragraph 2b(6).
- b. **Definitions.**
- (1) **Acceptance** is the official act of signing a reimbursable agreement by a contracting officer or an official to whom such authority has been delegated that commits DOE to perform reimbursable work for a Federal or non-Federal customer. A reimbursable agreement cannot be signed until a written determination has been made and certified by the responsible contracting officer that the reimbursable work meets the requirements of DOE 4300.2B, NON-DEPARTMENT OF ENERGY FUNDED WORK, of 7-16-91, page 6, paragraphs 8a and b.
 - (2) **Advances** are unearned funds provided by others that shall be used for reimbursement of work to be provided by DOE in the future.
 - (3) **Budgetary Resources.** In the case of reimbursable work, budgetary resources that are available for obligation include (a) the amount of reimbursable agreements received from within the Federal Government that represent valid obligations of the ordering account, to the extent that the reimbursements will be placed in the current appropriation or fund account when collected; and (b) the amount of unfilled customers' reimbursable agreements from non-Federal customers for which advance payment has been made.
 - (4) **Field Element Chief Financial Officer (Field CFO)** is designated to provide accounting or budgetary support to a field element or a Headquarters program or project office that has execution responsibility for reimbursable work.
 - (5) **Cognizant Secretarial Officer** is the Departmental official, at the Assistant Secretary level, who has responsibility for the institutional overview of field organizations and integrated facilities.
 - (6) **Emergency** is any situation involving the protection of life and property (e.g., medical care for inpatients, protection of Federal lands, buildings, and equipment; law enforcement; emergency and disaster assistance; production of power and maintenance of the power distribution system;

and protection of research property). Also, see DOE 5500.6B, SHUTDOWN OF DEPARTMENTAL OPERATIONS UPON FAILURE BY CONGRESS TO ENACT APPROPRIATIONS, of 5-18-92, page 6, paragraph 7a.

- (7) **Integrated Contractor**. A DOE contractor **that is** contractually required 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 a private enterprise, in the form of a non-profit institution, a commercial corporation, or **any other form of** organization legally capable of entering into a contract with DOE. All funds made available for the use of the contractor and all funds collected by the contractor for DOE shall be reflected in the **contractor's** and **DOE's** reciprocal accounts. The contractor retains custody of the accounting records and supporting documents, in accordance with the provisions of the contract, keeping the data available for **inspection by** DOE and General Accounting Office auditors and the Office of Inspector General **at all** times.
- (8) **Management and Operating (M&O) Contractors** are those designated by the Secretary in accordance with DOE policies.
- (9) **Memorandum of Understanding (MOU)** is a written agreement broadly stating basic understandings and describing a mechanism for coordinating **activities** to be reengaged in by the Department and other signatory authorities. A **memorandum of understanding is not** a binding contract; it cannot be used to obligate or commit funds or as the basis for the transfer of funds from one agency to another. **If a** commitment, obligation, or transfer of funds is required, a specific reimbursable agreement shall be developed between DOE and the participating organization to provide specific funding, obligation, and billing data. Additional information concerning **MOU's** is found in DOE **1280.1A, MEMORANDUMS OF UNDERSTANDING, of 11-15-91**.
- (10) **Miscellaneous Receipts** are funds collected by DOE for the use of the Federal Government. Such funds may not be retained for use by the collecting agency but must be deposited in the U.S. Treasury general fund. **Collections** representing refunds of payments made previously (appropriation refunds) are not miscellaneous receipts.
- (11) **Non-Federal** refers to those customers that **are not a** part of the Federal Government.
- (12) **Reimbursable Agreement** is a written agreement to perform reimbursable work for other Federal agencies or non-Federal customers. The **reimbursable** work may be accomplished under the **authority of** the Economy Act, the Atomic Energy Act, or other specific statutory authority. Normally, reimbursable agreements to perform work for non-Federal customers will require a bilateral sales contract. Reimbursable work for other Federal agencies requires an interagency agreement. An interagency agreement is a written agreement entered into between DOE and another **Federal** agency for

DOE to furnish specific goods or accomplish a specific task in support of the other agency's mission. Among other things, the interagency agreement will provide funding, billing, and payment data in support of the reimbursable work. A standard form is not used for interagency agreements, but rather DOE generally accepts the format of the requesting agency as long as it contains the appropriate elements as outlined in Attachment IX-1 of this chapter. Examples of Economy Act interagency agreements are Military Interdepartmental Procurement Requests (MIPR) used by Department of Defense, Project Authorization Funding Documents used by the Air Force Tactical Application Center, and Procurement Letters used by the United States Geological Survey. For the purposes of this chapter, the term "reimbursable agreement" will be used in lieu of the term "interagency agreement."

- (13) Reimbursable Authority refers to reimbursable obligation authority. This authority can only be acquired by obtaining an allotment through the DOE Approved Funding Program process. Reimbursable authority is authority to incur obligations in accomplishing reimbursable work or services if a budgetary resource, either a reimbursable agreement from a Federal customer or a cash advance from a non-Federal customer, is also available.
- (14) Reimbursable Work, for purposes of this chapter, refers to work or services performed or to be performed for another Federal or non-Federal customer for which the 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 fund account of DOE. The reimbursable work or services performed by DOE are financed by the funds of the ordering Federal customer or by cash advances from a non-Federal customer.

c. Responsibilities.

- (1) Cognizant Secretarial Officers shall, for Headquarters elements, each field element, and integrated contractor facility under their cognizance:
 - (a) Provide timely appropriate notification to the Undersecretary (S-3), the Office of Chief Financial Officer (CFO: CR-1), the Office of Procurement, Assistance and Program Management (PR-1), and the Office of Administration and Management (AD-1) of any sensitive reimbursable actions pursuant to DOE 4300.2B, paragraphs 10k(8) and (9).
 - (b) Recommend changes in financial aspects of reimbursable work policies to the CFO.
 - (c) Work Entering Headquarters but Accepted and performed in the Field. Make a preliminary determination, when reimbursable work enters the Department at the Headquarters level but is to be accepted and performed at a DOE field element, as to the appropriateness and the capability of field elements to perform the work. The preliminary determination that the work can be undertaken will be made only after consultation with the Head(s) of Field Elements and the CFO, the

Office of Procurement, Assistance and Program Management, and the Office of Administration and Management, as provided for in DOE 4300.2B, paragraph 10j(4). Acceptance of the work by the affected DOE field element will be made in accordance with DOE 4300.2B, paragraph 10k(5).

- (d) Work Accepted at Headquarters but Performed in the Field. Make a determination **as to** the appropriateness and the **capability to** conduct reimbursable work that is accepted at the Headquarters level **but will** be performed by a field element(s). After consultation with the affected field element(s), the cognizant Secretarial Officer will submit such reimbursable agreements, along with **a written determination as** required by DOE 4300.2B, paragraphs 8a and b, **or a** statement that such written **determination(s)** have been made by the field element(s), to the **CFO**, the Office of Procurement, Assistance and Program Management, and the Office of Administration and Management for coordination prior to acceptance.
- (e) Work Performed at Headquarters. Make a determination as to the appropriateness and the capability to conduct reimbursable work to be performed by Headquarters elements. The cognizant Secretarial Officer will submit such reimbursable agreements along **with a** written determination as required by DOE 4300.2B, paragraphs 8a and b, to the **CFO**, the Office of Procurement, Assistance and Program Management, and the Office of Administration and Management for acceptance.
- (f) Approve exceptions **to full** funding with the concurrence of the **CFO** and the Head of the affected Departmental **element as** provided for in paragraph 2g(1) (c).

(2) Chief Financial Officer (CR-1)

- (a) Establish and maintain **financial** policies and procedures for reimbursable work.
- (b) Approve financial exceptions, as specified in paragraphs 2d(9), 2g(1)(c), and 2g(2), from those policies and procedures, and, upon request, **assist in** review and approval of financial aspects **of reimbursable** agreements **for work** supported **by or performed by** a Headquarters element.
- (c) Obtain reimbursable apportionments **and issue reimbursable** allotment authority for reimbursable work.
- (d) Coordinate with the cognizant Secretarial Officers on reimbursable agreements accepted at Headquarters.

- (3) Director of the Office of Procurement, Assistance and Program Management (PR-1).
- (a) **Sign** reimbursable agreements to be accepted by Headquarters elements (unless delegated as **in paragraph 2b(1)**) after **the cognizant** Secretarial Officer has secured coordination from the **CFO** and the Office of Administration and Management.
 - (b) Provide copies **of reimbursable agreements negotiated in** Headquarters to all DOE Field **CFO's** impacted by such agreements.
- (4) Director of Administration and Management (AD-1).
- (a) Obtain necessary approvals of reimbursable agreements **for reimbursable details** of personnel and/or Intergovernmental Personnel Act assignments, in accordance with DOE 3300.19, ASSIGNMENT OF DEPARTMENTAL PERSONNEL OUTSIDE THE DEPARTMENT, of 6-23-92.
 - (b) Ensure that necessary determinations and **coordinations** are accomplished for personnel details and assignments.
 - (c) Provide a copy of reimbursable agreements for Headquarters **reimbursable details** of personnel and/or Intergovernmental Personnel Act **assignments to** the Field **CFO as** appropriate.
 - (d) Coordinate with the cognizant Secretarial **Officers on** reimbursable agreements to be reaccepted at Headquarters.
- (5) General Counsel/Field Counsel shall provide legal counsel and **advice on** matters relating to reimbursable agreements on an as-needed basis.
- (6) Heads of Field Elements shall ensure that:
- (a) The reimbursable agreements approved and accepted in accordance with this Order and the established requirements of **DOE 4300.2B**.
 - (b) Budgetary resources and reimbursable authority are obtained **prior to** initiation **of work** or services.
 - (c) Any proposed exceptions to the requirement for full funding from Federal agencies for projects to be completed in the current fiscal year (or current fiscal year plus 90 days for projects transcending the fiscal year) are reviewed and approved by them only if **there is** justification. In no case shall an exemption be granted which **necessitates** the use of DOE funds to finance reimbursable work performed for others.
 - (d) Concur on Secretarial **Officer's exceptions to full funding as** provided for in paragraph **2g(1) (c)**.

- (e) Requested work is priced in accordance with DOE 2110.1A, PRICING OF DEPARTMENTAL MATERIALS AND SERVICES, of 7-14-88.
- (f) All documents authorizing performance of tasks that include reimbursable work specify what portion of the funding is reimbursable or that the total funding is reimbursable.
- (g) Final accepted reimbursable agreements are executed in accordance with DOE 4300.2B, paragraph 10k(5), and submitted to the cognizant Field CFO.
- (h) All documents pertaining to a reimbursable agreement are identified and maintained on file.
- (i) Obligations and expenditures against individual reimbursable agreements are recorded promptly and accurately and do not exceed the associated budgetary resource.

(7) Field Element Chief Financial Officer shall:

- (a) Review reimbursable agreements for adequacy and accuracy of relevant accounting and funding data, potential budgetary resource problems, pricing factors, financial closeout procedures, and provision of billing information and addresses. Request the DOE program sponsor of the agreement to obtain correction of any deficiencies.
- (b) Certify fund availability for each reimbursable agreement to ensure that obligations are not incurred in the performance of a reimbursable agreement in excess of the authority provided in the approved funding program and allotment. If an agreement would require obligations in excess of reimbursable authority allotted, ensure that additional authority is obtained prior to incurring the obligation.
- (c) Provide information about the availability of funds to approving officials or DOE program sponsors of reimbursable agreements.
- (d) Develop and maintain accurate and timely financial information on the status of funds, obligations, and expenditures incurred for each reimbursable agreement.
- (e) For reimbursable agreements received under the authority of the Economy Act, determine the amount of obligations that will not be incurred before the end of the period of availability of the appropriation. Timely notification shall be provided to the ordering agency regarding the amount of funds to be obligated.

d. Policy.

- (1) It is the **policy** of DOE to accept **reimbursable** agreements for its goods and **services** and to perform work for others on a **reimbursable basis, provided** legal and regulatory authority to perform **the reimbursable work** exists and the Department is capable of complying with the **requirements** of the legal authorities relied on. Furthermore, work must not impede primary functions and **responsibilities of the performing activity**, and budgetary resources for performing reimbursable work must **be available**.
- (2) The execution of acceptance of reimbursable work shall only **be made after** a written determination that **the work is** consistent with and meets **established** requirements set forth in **DOE 4300.2B**, paragraphs **8a and 8b**. In **addition**, no work shall commence and no costs are to be **incurred** until a **written** reimbursable agreement has been received and such documents approved and accepted as defined in **DOE 4300.2B**. For work to be performed **solely by** Headquarters elements, approval and acceptance shall be **made in** accordance with **the provisions of** paragraph **2c(1)** (e) of this chapter. For work **that is** initially accepted **by a** cognizant Secretarial Officer **but to** be performed by other Departmental element, **final** approval and acceptance should be **made in** accordance **with** paragraphs **2c(1)(c)** and **2c(1)(d)** of this chapter.
- (3) Work performed for other Federal **agencies** shall be fully funded **prior to** commencement **of work** if the work is to be completed within the current fiscal year. For work that transcends the **fiscal** year, full funding for the current fiscal year plus the first **3 months** of the following fiscal year shall be required. See paragraph **2g(1)(c)** for exception to the full funding requirement. No work shall be continued beyond **the period or** amount offending **as provided** in the reimbursable agreement.
- (4) Reimbursable work for non-Federal customers shall neither start nor continue without a cash advance of funds except as provided by paragraph **2g(2)**.
- (5) Heads of Field Elements **and the CFO** shall **maintain an appropriate** management and control environment and related systems **which** provide advance **notification of potential** funding shortfalls in sufficient time to obtain additional funds **or to begin** orderly termination of the project.
- (6) In the event of an emergency as defined in paragraph **2b(6)**, exception to the **policy** on full funding and cash advances from Federal and non-Federal customers may be authorized by the Head of the cognizant field **element or the CFO**, for Headquarters elements. The circumstances **which** caused the deviation shall be documented by the cognizant Field **CFO and the CFO** formally advised of the deviation within **10 days**.
- (7) All reimbursable agreements accepted by DOE **for reimbursable** work shall be managed and accounted **for in** accordance with the funding limitations and

other **provisions of** the reimbursable agreement. The level of financial controls specified in the reimbursable agreement establish the administrative funds controls which must be followed.

- (8) Reimbursable work shall not be accepted when **it is** evident that a requesting agency is using this as a mechanism to obligate funds solely to keep them from being reported as **unobligated or** to keep them from lapsing at the **end of** the fiscal year.
 - (9) **All** reimbursable agreements made or modified after the date **of this** Chapter must comply with this Chapter and must contain an expiration date not to exceed **5 years** from the date of inception (with the exception of such agreements with the Nuclear Regulatory Commission, power marketing and transmission-related agreements of power marketing administrations or other long-term commitments), unless approved **by the CFO**.
 - (10) All agreements **for reimbursable work involving** data processing facilities and/or related dedicated services, e.g., application systems, programmers or analysts, software unique to a particular application and remote terminals and modems must comply with the provisions of DOE 2100.8, COST ACCOUNTING, COST RECOVERY, AND INTERAGENCY SHARING OF DATA PROCESSING FACILITIES, of 3-3-83.
 - (11) All reimbursable work **must be** carried out in accordance with the requirements of the National Environmental Policy Act. DOE may **participate as** either the lead or cooperating agency.
 - (12) 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 these 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.
- e. **Description and Nature of Reimbursable Work.**

- (1) In general, the reimbursable work or services that DOE provides **for a** customer are part of the customer's mission, and not DOE's direct mission. The Department does not directly receive **appropriated** funds from Congress for such work or services; instead, they are financed by the funds of the Federal agency ordering the work or by cash advances from a non-Federal customer. Conversely, if the Department sells products **or services which** are funded as a direct mission of the Department the collection shall be accounted for **under a** revenue program (see paragraph 3).
- (2) Examples of current **reimbursable work programs** in DOE are **included in** Attachment IX-Z.
- (3) The authority to perform reimbursable work **and the authority to** retain and use the resulting reimbursements may be two distinct and separate **legislative** or statutory authorities. Paragraph 2f more fully describes the

legal and statutory authorities for accepting and performing reimbursable work. Attachment IX-2 delineates the authorities for retaining and using reimbursements received by the Department.

f. Authority for Accepting and Criteria for Establishing Reimbursable Agreements

Before accepting a reimbursable agreement, the Department must review the specific legal or statutory authority for performing the work. This is necessary to ensure that the Department is capable of complying with the legal requirements or limitations imposed by the enabling legislation. Accordingly, when establishing reimbursable agreements, use the following authorities and criteria in conjunction with guidelines contained in Attachment IX-1 and the requirements of DOE 4300.2B, NON-DEPARTMENT OF ENERGY FUNDED WORK.

- (1) Economy Act. The Economy Act (31 U.S.C. 1535-1536, 3324) authorizes a Federal agency to place reimbursable agreements for work or services with other Federal agencies and provides that collections for such work shall be credited to the performing agency's appropriation in which the costs were incurred.
 - (a) If the Economy Act (31 U.S.C. 1535) is cited as the authority for performing work or services, the requesting agency shall determine that the reimbursable work or services cannot be provided as conveniently or cheaply through a commercial enterprise.
 - (b) Under the Economy Act, reimbursable work or services may be provided when the accepting agency is equipped or in a position to supply, render, or obtain the goods or services by contracting-out.
 - (c) Any conditioner limitation applicable to the funds of any executive department, independent establishment, bureau, or office that places a reimbursable agreement or enters into a contract under the provisions of the Economy Act shall be applied.
 - (d) A reimbursable agreement made under the Economy Act obligates an appropriation of the ordering agency or unit. The amount obligated shall be deobligated to the extent that the agency or unit filling the reimbursable agreement has not incurred obligations before the end of the period of availability of the appropriation in providing goods or services; or making an authorized contract with another person to provide the requested goods or services.
- (2) Atomic Energy Act. The Atomic Energy Act of 1954, as amended, authorized the performance of reimbursable work related to atomic energy. Reimbursable work may be performed pursuant to sections 31, 32, 33, and 161 of the Atomic Energy Act of 1954, as amended, (42 U.S. C. 2051, 2052, 2053, and 2201) only upon a determination that private facilities or laboratories are inadequate for the purpose.
- (3) Intergovernmental Cooperation Act of 1968. Title 31 U.S.C. 6505. authorizes Federal agencies to provide reimbursable specialized or technical services to states and local governments. If this Act is cited as the

authority for performing reimbursable work, a determination shall be made by the contracting officer that the requested work or services cannot be procured reasonably and conveniently through normal business channels.

- (4) **Project Order Law.** Project order interagency agreements are agreements which military departments enter into with DOE for ordering work and materials under the provisions of the Project Order Law (41 U.S.C. 23). Unlike Economy Act transactions, project order agreements are not required **to be deobligated** at yearend if the performing agency has not incurred valid obligations under the agreement arrangement. It **should be** noted that the Project Order Law does not provide authority to perform reimbursable work. The Project Order Law must be cited in conjunction with one or more of the authorities in this section.

- (5) **Department of Energy Organization Act.** Title 42 U.S. C. 7101, Public Law 95-91, the Department of Energy Organization Act, **establishes** the Department and provides the Secretary with the authority to enter into and perform the kinds of reimbursable agreements that are **subject to** this chapter.

(6) **Intergovernmental Personnel Act.**

- (a) Title **5 U.S.C. 3371-3376**, the Intergovernmental Personnel **Act of 1970**, as amended, provides for the assignment of personnel between the Federal, State, Local, and Indian Tribal Governments, **Institutions** of Higher Education, or other approved and eligible organizations.

- (b) Title **5 CFR 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 Program.

- g. **Financing of Work.** A budgetary resource shall be obtained from customers prior to performing reimbursable work. Reimbursable budgetary resources available for obligation consist of reimbursable agreements from other Federal agencies that represent **valid obligations** of the ordering account or the amount of unfilled customers' reimbursable agreements from non-Federal customers for which advance payment has been made. This is necessary to preclude the use of DOE appropriated funds to finance reimbursable work, and to protect the Department from incurring uncollectible receivables. In addition to the requirement for **obtaining a** budgetary resource, it is necessary **to have sufficient** reimbursable obligational authority within the respective allotment from the CFO.

(1) **Financing Work for Other Federal Agencies.**

- (a) Generally, cash advances shall not be required when performing work for other Federal agencies under the Economy Act. However, cash

advances may be required from agencies with a history of slow or no payment or if the interests of DOE are best served by obtaining an advance.

- (b) A valid reimbursable agreement shall be used as a budgetary resource when performing work for other Federal agencies. The reimbursable agreement shall provide full funding if the work is to be completed in the current fiscal year. For work that transcends fiscal years, full funding for the current fiscal year plus the first 3 months of the following fiscal year shall be required.
 - (c) Exceptions to the requirement for full funding from Federal agencies for projects to be completed in the current fiscal year (occurrent fiscal year plus 90 days for projects transcending the fiscal year) may be granted by Heads of Field Elements for their respective organizations and the CFO in consultation with the cognizant Secretarial Officer for Headquarters Elements. Program Secretarial Officers when executing unique and significant agreements which impact more than one Departmental element, such as the Strategic Defense Initiative (SDI), may grant an exception to full funding with the concurrence of the CFO and the Heads of the affected Departmental Elements. In no case shall an exception be granted which necessitates the use of DOE funds to finance reimbursable work performed for others. This is a violation of appropriation law. Additionally, exceptions shall not be granted which would cause advanced funding to be less than amounts necessary to provide for an orderly phasedown and termination of the reimbursable agreement.
- (2) **Advances from Non-Federal Customers.** Except as provided below, cash advances shall be received prior to performing work for non-Federal customers. Full funding is required prior to beginning work on reimbursable agreements with unestimated cost of \$25,000 or less or that will be completed in 90 days or less. For reimbursable agreements greater than \$25,000 and that will last longer than 90 days, sufficient advance funds shall be obtained to maintain a continuous 90-day advance of funds during the life of the project. No work will begin before the receipt of a cash advance. The advance shall also cover anticipated termination cost that the Department would incur if the reimbursable work were terminated. Exceptions to the requirement for advances from non-Federal customers will be permitted only as specified below.
- (a) Deliveries from stock on hand, when such deliveries can be accomplished quickly and will not require the use of current budgetary resources except to replace the stock on hand.
 - (b) Delivery of items or services without an advance, 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.

- (c) When reimbursable **goods** or services are provided **to fill a verified** requirement of work for a DOE funded cost-type contract, the **reimbursable** agreement from the DOE funded customer shall constitute the budgetary resource.
- (d) In specific circumstances when an advance cannot be obtained **such as** from State and local governments whose laws prohibit the payment of advances for goods and services. For these specific cases, **an appropriated** budgetary resource shall **be used**; e.g., Cost of Work for Others program under the Departmental Administration Appropriation.
- (e) Any exceptions other than those authorized above **require** the prior approval of the CFO. Factors to consider when granting **such an** exception include:
 - 1 Whether legal authority for the work and the exception exists;
 - 2 Whether a budgetary resource **will** otherwise exist;
 - 3 Whether a **special** benefit **will** be conferred on a customer for which there should be a charge;
 - 4 Whether a potential cash flow problem will be created for the appropriation affected;
 - 5 Whether a **receivable** **collectibility** **problem** may be created; and
 - 6 Whether preprogramming of funds or supplemental appropriation may be necessary to finance an uncollectible receivable.

h. Reimbursable Budgetary Resources and Obligational Authority.

- (1) Reimbursable Budgetary Resources. A reimbursable agreement is available for the incurring of obligations whenever it meets the criteria of a budgetary resource and there is also sufficient reimbursable authority available within the **allotment** to cover it. Cash advances from non-Federal customers and valid reimbursable agreements from Federal agencies are required to provide a budgetary resource to obligate. The requirements for a budgetary resource and reimbursable authority are two separate and distinct requirements. If reimbursable authority within the allotment is insufficient, then it shall be necessary to request an **increase in** the allotment even though a budgetary resource exists. The **inclusion of** estimates in determining the amounts available for apportionment **in no way** authorizes anyone in the Department to **obligate or** make expenditures in excess of the budgetary resources available for obligation from sources identified in paragraph **2b(3)**.
- (2) Reimbursable Obligational Authority. **An allottee** can only acquire **reimbursable** obligational authority **by obtaining** an allotment through the DOE allotment and approved funding **program (AFP)** process.

- (a) **Apportionment and Reapportionment Requirements.** The OMB apportionment and reapportionment process makes funds appropriated by Congress available to Federal agencies for subsequent allotment, obligation, and disbursement. As part of the apportionment process, DOE must submit a request to have OMB apportion DOE's direct and reimbursable obligational authority. (For further discussion of the apportionment process, see DOE 2200.5B, FUND ACCOUNTING, Chapter I, "Administrative Control of Funds," and Chapter II, "Accounting for Appropriations and Funds," and DOE 5100.11A, BUDGET EXECUTION-OFFICE OF MANAGEMENT AND BUDGET APPORTIONMENT AND TREASURY WARRANT PROCESS.) At the beginning of each fiscal year, DOE requests apportionment of the estimated new reimbursable obligational authority expected to be obligated during the fiscal year. DOE derives these estimates from an annual informational call issued by the CFO to Headquarters and field elements responsible for performing reimbursable work. Once OMB apportions the reimbursable obligational authority, these resources subsequently can be distributed to cognizant Departmental elements through the Allotment and AFP process.
- (b) **Allotment and AFP Process.** The Allotment and AFP process is DOE's system for distributing all obligational authority, including direct and reimbursable authority, made available to DOE for the fiscal year. Specifically, through the allotment process, the Department delegates authority to its allottees to incur obligations within the amounts specified in the allotments. The AFP process provides a detailed programmatic breakdown of the total amount of obligational authority shown in the allotment in sufficient detail to facilitate program management and fiscal control. (For additional information pertaining to this, see DOE 5100.14, ALLOTMENT AND APPROVED FUNDING PROGRAM PROCESS.)
- (c) **Administrative Control of Funds Requirements (Control of Allotments).** Reimbursable obligational authority contained in allotments constitutes funding limitation that restricts the amount of reimbursable work that DOE can accept and perform for Federal and non-Federal customers. Allottees receiving reimbursable authority shall restrict obligations to the lesser of either the amount of reimbursable obligational authority allotted or reimbursable resources actually available for obligation.
- 1 If obligations or expenditures for reimbursable agreements exceed the reimbursable obligational authority, then an administrative violation by the allottee has occurred. Exceeding an administrative limitation is a violation of DOE policy and, therefore, is subject to Departmental rather than statutory rule and penalties. However, exceeding a reimbursable limitation may translate into a legal violation (31 U.S.C. 1514) at the Department level if the remaining direct obligational authority is insufficient to offset the overrun in the reimbursable obligational authority. (For more

detail on the administrative control of allotments, see DOE 2200.5B, FUND ACCOUNTING, Chapter I. "Administrative Control of Funds.")

2 If during program execution, it becomes apparent that the existing level of reimbursable obligational authority is inadequate to accommodate future requirements, then the appropriate **allottee** must request an increase in authority through the allotment and AFP process. Furthermore, reimbursable obligational authority, previously apportioned **by OMB**, shall not be allotted without reasonable assurance that the associated reimbursable agreements will be realized and the resulting reimbursements will **be collected and deposited to the credit of the appropriate** on or fund account incurring the charges.

i. Accounting for Reimbursable Agreements. Title 31, section 1301. of the United States Code expressly prohibits the expenditure of funds in an appropriation or appropriation account for purposes other than those that Congress intended. This statutory limitation applies equal **ly to** the execution of DOE mission programs and to the performance of reimbursable work for other Federal agencies. In this regard, it is imperative that DOE employ prudent management and control techniques to ensure that reimbursable **work is** authorized, performed, and accounted **for in** accordance with congressional, **OMB**, GAO, and DOE budgeting and accounting policies and procedures. Prior to acceptance, reimbursable agreements shall be reviewed for adequacy of relevant accounting and funding data, potential budgetary resources problems, pricing factors, financial closeout procedures, and provision of billing information and addresses. Illustrative entries for recording reimbursable transactions are in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.

- (1) Execution and Control of Reimbursable Agreements. Use the following guidelines to ensure that **reimbursable work** is accomplished in accordance with established laws, regulations, and the provisions of the respective reimbursable agreements.
- (a) Departmental elements accepting **reimbursable** agreements shall establish firm cutoff dates prior to the end of the fiscal year to provide ample time to review, accept, obligate, distribute, and record reimbursable agreements.
 - (b) Integrated contractors **shall not** begin any reimbursable work until they have obtained either an executed contractor contract **modification or a written** authorization from the cognizant DOE contracting officer indicating that DOE has obtained a valid budgetary resource that will be reflected in the next scheduled contract modification with the integrated contractor.
 - (c) All documents authorizing the performance of tasks that include reimbursable work shall specify what portion of the funding is **reimbursable or that** the total **funding is** reimbursable. Furthermore, the

DOE element performing **the work** shall identify and maintain all documents pertaining to **a reimbursable** agreement on file.

- (d) No work shall **continue** and no costs shall be incurred beyond either the period of performance or the amount of **funding** provided in the reimbursable agreement and attendant modifications. Although the project manager **is responsible** for promptly **warning** customers when **funding is** low and earnestly attempting to obtain **sufficient supplemental funding**, the customer is ultimately responsible and **accountable** for any adverse programmatic consequences realized upon termination of work. **In summary, it is a violation of** statutory, **OMB**, and **DOE policies** and procedures to perform **reimbursable work** in excess of or **in** absence of budgetary resources.
- (e) DOE shall not **finance** reimbursable work from **its** own appropriations or another customer's funds but only from the appropriation accounts of the ordering Federal agency or the cash advances from the non-Federal entity.
- (f) Reimbursable agreements shall not be obligated by **DOE unless there is** sufficient **reimbursable obligational authority in** the respective allotment. It is important to recognize that, with the exception of the **specific** case discussed in paragraph **2g(2)**, reimbursable **obligational** authority **contained in** allotments is not sufficient authority to **initiate** reimbursable work. A reimbursable agreement **is only** available for obligation when it meets **the criteria** of a budgetary resource (see paragraph **2g**) and when **there is** sufficient reimbursable obligational authority **available within** the allotment.
- (g) **Obligations** and expenditures on **a cumulative basis** shall not exceed reimbursable authority granted in allotments. Moreover, obligations and expenditures for each reimbursable agreement shall not exceed the budgetary resources authorized on that reimbursable agreement.
- (h) Interagency agreements are subject to the provisions of 31 U.S. C. section 1501, "Documentary Evidence Requirements for Government Obligations." Accordingly, like commercial contracts, interagency agreements shall provide for **specific goods or services**. **Reimbursable agreements failing the "specificity test" are not valid** obligations and shall be rejected.
- (i) To preclude potential **billing problems, the work completion date specified on** reimbursable agreements or amendments thereto shall be strictly enforced.

(2) Recording.

- (a) Recording Unfilled Orders and Obligations. Accepted reimbursable agreements shall be controlled by **unique** equity accounts to create a ceiling for obligations and costs,

1 Source Document for Unobligated Unfilled Customers' Orders. The source document for recording unfilled orders is the reimbursable agreement, along with evidence that the reimbursable agreement was accepted in accordance with **DOE 4300.2B, NON-DEPARTMENT OF ENERGY FUNDED WORK**. The balance of the balance sheet account Unfilled Interagency **Orders-Fund Cost** shall represent the ceiling for costs. The balance of the balance sheet account **Unobligated Unfilled Customers' Orders** shall represent the ceiling for obligations.

2 Source Document for Obligated Unfilled Customers' Orders. 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 consist of travel authorizations, time and attendance documents, purchase requests, and so forth. The balance of the balance sheet account **Obligated Unfilled Customers' Orders** shall represent the ceiling for uncosted obligations.

(b) Recording Cash Advances. Advance payments for reimbursable work shall be recorded as an unearned revenue. A liability shall be established and **it shall** be reduced by accrued cost. **If a cash advance** has not been received, establish an accounts receivable when recording costs in the accounting system.

(c) Recording Work Performed by Contractors. If reimbursable work is to be performed by un-integrated contractor, the cognizant DOE field element may assign all collection and accounting activities for the work to the integrated contractor. Otherwise, the integrated **contractor** may transfer the amount to DOE accounts, and the DOE element shall perform the receivable and collection activities.

(d) Recording Reimbursements.

1 With the exception of added factor and depreciation, record **reimbursements** in the appropriation or fund type in which the costs were recorded. That portion of the reimbursement that represents added factor and depreciation shall normally be redeposited into the Departmental Administration Appropriation special receipt account. Refer to Attachment **IX-2** for a **description of** the Departmental Administration Appropriation special receipt account.

2 **Collection of** reimbursements received for reimbursable work shall not be confused with appropriation refunds. Appropriation refunds are addressed in paragraph.

3 Record collections as a **debit** to the general ledger account **Appropriation Reimbursements**. The balance of that account will

represent cumulative collections for reimbursable work for the fiscal period. Balance sheet codes and illustrative entries for recording collections are presented in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.

(3) Billing and Collecting.

- (a) Approved Treasury forms or the Treasury's On-Line Payment and Collection System must be used for expenditure transfers between DOE and other Federal agencies.
- (b) The accounting office preparing the billing has the final determination on the billing method.
- (c) Billings shall not be in excess of the total amount authorized by the agreement, including any amendments. If an increase to the agreement is required, an amendment should be obtained from the issuing organization prior to incurring any additional costs.
- (d) Billings based upon accrued and recorded costs will be issued monthly or in accordance with reimbursable agreements and will include the date that goods and services were provided, in addition to the "as of" billing date.
- (e) For non-Federal customers, wire transfer, check, or cash payment may be accepted, consistent with prudent financial judgment.

(4) Closeout of Reimbursable Agreements. Upon completion of work, the contracting officer shall notify the customer and provide an estimate of costs incurred. When the final costs are known, the contracting officer shall promptly notify the customer with a final statement of cost. Upon final settlement, any unused funds shall be returned to the customer.

3. REVENUE PROGRAMS.

- a. **General.** The manner in which the Department budgets for revenue programs is quite varied, as is the subsequent classification and accounting for collections. The Department directly budgets for some revenue programs as appropriation reimbursements. The collections from these programs may be available for immediate use by the Department (for example, the Bonneville Power Administration's Revolving Fund), may be offset against the appropriation (for example, Cost of Work for Others Program under the Departmental Administration Appropriation), or may be used as a source for the appropriation (for example, the Nuclear Waste Fund). A complete listing of these revenue programs can be found in Attachment IX-3. Other revenue programs, such as the sale of electrical power by a power marketing administration, are proprietary receipts and are deposited as miscellaneous receipts to the General Fund of the Department of the Treasury. These revenue programs can be found in Attachment IX-7.

b. Policy.

- (1) Before accepting revenue producing work. DOE must determine **the specific** legal or statutory authority for performing the work. This determination is necessary to ensure that the Department is **capable of** complying with the appropriate legal requirements.
- (2) No revenue producing **activities shall** begin either in the absence **or in** excess of the authorities contained in the allotment.
- (3) All revenues and related costs shall be recorded on an accrual basis.

c. Description and Nature of Revenue Producing Work.

- (1) Under **DOE's** revenue programs, **work**, products, and services are **sold to** both Federal and non-Federal customers, pursuant to authorizing legislation. Treatment of the resultant revenues is provided **for in** either the specific authorizing or appropriation legislation.
- (2) The work performed under the revenue programs is similar **in nature** to that performed under the reimbursable program. However, the distinguishing factor between the **two is a determination** of the mission **responsibility of** the work, that is, the **customer's or DOE's**.
 - (a) As indicated in paragraph **2e**, reimbursable work performed by DOE for others is considered to be part of the customer's direct mission responsibility and not that of the Department. In contrast to under the revenues program, DOE sells work, services, or products that fall within the scope of DOE's direct mission.
 - (b) Because the revenue producing work performed under revenue programs is by definition mission related work, it is financed directly through DOE mission program appropriations. This **is in contrast to** work performed under the reimbursable program, which is financed through budgetary resources provided by the customer.

d. Authority To Produce and Sell Products and Services.

- (1) Before performing revenue producing work, DOE must determine **the specific** legal or statutory authority for performing the work. This **is** necessary to ensure that the appropriate review determinations are made and that the Department is capable of complying with the appropriate legal requirements.
- (2) It is important to note that **two or more** distinct statutory and legislative authorities may exist that can affect both the performance of work and the disposition of the resulting revenues. For instance, Public Law 93-438, the Energy Reorganization Act, section **301(a)**, transfers the functions of the Energy Research and Development **Administration** to DOE. In this regard, both of the **Department's** annual appropriation acts. Energy and

Water Development and Interior and Related Agencies Activities, contain language that authorizes certain revenue producing activities under the various appropriation accounts and dictates the disposition of the resulting revenues. Therefore, when considering performing work under revenue programs, the Department must consult all applicable authorities to ensure overall compliance. Attachments IX-3 and IX-7 contain additional authorities relating to revenue programs.

e. Order Requirements.

- (1) Criteria for Development, Review and Acceptance of Orders (Except Power Marketing Administrations). For services, products, or materials regularly produced for sale at scheduled rates or catalog prices, under Departmental revenue programs, the DOE Element performing the work must receive a bona fide written order from the customer before initiating work or filling the order. However, for nonroutine work or services that constitute a significant financial commitment similar in nature and scope to that performed in the reimbursable program, a bilateral written agreement between DOE and the customer shall be executed. This agreement shall include appropriate coverage of the criteria set forth in Attachment IX-1, and accepted in accordance with the provisions of DOE 4300.2B.
- (2) Power Marketing Contracts. Power is marketed by power marketing administrations pursuant to contracts. The power marketing rates are subject to review by the Federal Energy Regulatory Commission.
- (3) Pricing of Products, Services, or Work (Cost Recovery). The development of charges for products or services incident to the Department's revenue producing activities shall be in accordance with DOE 2200.7, COST ACCOUNTING, Chapter II, "Pricing."

f. Basis of Budgetary Resource.

- (1) General. By definition, revenue producing activities are considered to be mission related activities of the Department. Therefore, the budgetary resources required to finance such work come from DOE's direct appropriated funds, provided the work is budgeted and approved in accordance with the procedures contained in paragraph 3g(2). Consequently, when appropriated funds are allotted during program execution, the allotment shall serve as both the obligational authority and the budgetary resources to accomplish the work.
- (2) Advances. Because DOE finances its revenue producing activities each year through DOE appropriations, the Department does not generally require advances for such activities from either Federal or non-Federal customers. Given this convention, it is essential to determine that the requested work, products, or services are in fact DOE mission activities and that the associated resources to accomplish the work were budgeted and are available for obligation within the allotment.

- (3) Exceptions to Advances Policy. Under certain circumstances, DOE may require advances from non-Federal customers to protect the Government's interests.
- (a) A customer may request that significant, **nonroutine modifications** be performed on a standard DOE mission related product to suit the **customer's** specific operational requirements. In this case, DOE should **require a** cash advance to cover, at **a minimum**, the incremental costs the Department incurs for performing that **portion of** the work that is not related to the DOE mission. DOE would then administer **the collections** or revenues derived from the sale of the **off-the-shelf** product under the revenues program and the collections from the modification work under **the reimbursable** work program. For these mixed program situations, DOE elements shall determine advance requirements on a **case-by-case** basis, giving due consideration to the mission responsibilities, the significance of the incremental costs, the nature and scope of the services provided, and other pertinent factors.
- (b) **DOE may also** require cash advances to protect the Government's **interest** against both Federal and non-Federal customers that have either previously **defaulted on** payments to the Department or that have otherwise been deemed to be **a poor** credit risk. If in doubt, **obtain an** advance.

9. Authority Contained in Allotments.

- (1) General. Under the revenue programs, allotments provide two distinct authorities for conducting revenue producing activities which are direct obligational authority and, in some cases, authority for retaining the revenues.
- (a) Direct obligational authority available through **DOE's** mission appropriations, provides the authority to engage in specific revenue producing activities, such as the **production of** products or goods for sale to others. An example of this is the sale of isotopes under the Departmental Administration Appropriation and the sale of electric power by a power marketing administration.
- (b) For programs that **specifically allow** retention of revenues, **the** authority for retaining revenues gives DOE the authority to use the revenues derived from specified revenue producing activities without further action by Congress. For example, the Colorado River Storage Project, operated by the Western Area Power Administration, has the **authority to** retain revenue produced from the sale of generated power, which, in turn, is used to finance the power marketing (**revenue** producing) operations that produced the revenues in the first place.
- (c) No revenue producing **activities shall** begin either in the absence or in excess of the authorities contained in the allotments.

(d) Additional requirements associated with the administrative control of allotments are addressed in **DOE 2200.5B, FUND ACCOUNTING, Chapter I, "Administrative Control of Funds."**

(2) **Budgetary Considerations.** Because DOE finances the vast majority of its revenue producing activities through appropriations, the budget requirements are **subject to** the same budget and administrative process as other Departmental mission programs.

(a) DOE elements must satisfy the following general conditions before using appropriated funds to finance revenue producing activities:

- 1 The work must be properly priced and incorporated in **the appropriate** budget schedules in response to the annual field budget call process (see DOE 5100.3, FIELD BUDGET PROCESS, of 8-23-84).
- 2 The required funding levels for accomplishing the work must be approved through the OMB and congressional budget process and subsequently reflected in the respective annual DOE appropriation account(s).
- 3 The resources must be allotted, reflected in **the approved funding** programs, and made available **for obligation** and expenditure.

(b) Requirements in paragraph **3g(2)(a)** above do not apply to routine deliveries of standard products that **will not require** the use of current budgetary resources except to replace the stock on hand and providing **that an** allotment and an AFP are available.

(c) The inclusion of budget estimates and the subsequent approval **during** the budget process does not constitute authority **to initiate** work or incur costs. Such authority for revenue producing activities is only available upon receipt of the allotment and the related AFP reflecting funding for those activities.

h. **Accounting for Revenues.** Illustrative entries for recording revenue transactions are in **DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.** All revenues and related costs shall be recorded on an accrual **basis.** The following guidelines determine when to accrue revenues.

(1) **Current Period Sale of Products and Services.** Revenue for products and **services** shall be recognized as earned when products **are delivered,** services are performed, or progress payments are received.

(2) **Long-Term Contracts for Sale of Products or Services.** Revenue for the sale of products **or services** sold under a long-term contract shall be recognized in the period **in which** the products or services **are physically** or constructively delivered to the purchaser. Constructive delivery occurs when DOE meets **the obligations** of the long-term contract.

4. ADVANCES FROM NON-FEDERAL CUSTOMERS FOR COSPONSORED WORK.**a. Policy.**

- (1) Federal funds shall not be used to **finance a cosponsor's share of a** project. In cases where the non-Federal contributions are not provided to the Department **for obligation** and disbursement, such **contributions of** the non-Federal cosponsor may be paid directly to the performing contractor. **When a** cosponsored agreement provides for the non-Federal customer's share of **cash to** flow through the Department, advance funding from the non-Federal cosponsor shall be obtained for subsequent obligation and **disbursement by** the Department.
- (2) Efficient and economical transfer of funds procedures shall **be estab-**
lished and maintained for all **cosponsor's** funds received and controlled by the Department.
- (3) Funds received from non-Federal cosponsors shall be redeposited **in a DOE** special deposit account at the Department of the Treasury.
- (4) Funds received by the Department from a cosponsor shall be controlled and accounted for in such **a manner** that specific identification and reconciliation on a project-by-project basis are maintained.

b. Description and Nature of Work. Cosponsored work refers to jointly funded, cooperative efforts to perform research, development, demonstration projects, and other work of an experimental nature undertaken by DOE and one or more non-Federal cosponsors (domestic or foreign) for the mutual benefit of all parties.

- (1) Under this type of work, the cosponsors **use a** funds-in arrangement to contribute their share of the project, providing funding directly to DOE for deposit **into an** appropriate Department of the Treasury account for the subsequent obligation and **disbursement by** the Department. DOE, thus, requires advances to finance the cosponsors' share of the project.
- (2) The provisions of this section do not apply to funds-out cooperative work agreements.

c. Authority To Perform Work. Before entering into cosponsored agreements, DOE must determine the specific legal or statutory authorities for performing the work. When considering such activities, consult the following authorities.

- (1) Public Law 93-438, the Energy Reorganization Act of 1974, section 107(a), authorizes the Energy Research and Development Administration (ERDA) to make arrangements (including contracts, agreements, and loans) for **conducting** research **and development** activities with private **or public insti-**
tutions or persons, including participating in joint or cooperative research, developmental, or experimental projects. This act also authorizes the ERDA Administrator to participate in international cooperative

efforts in energy related research and development. Public Law 95-91, the Department of Energy Organization Act, section 301(a), transfers the functions of ERDA to DOE.

- (2) Public Law 95-224, the Federal Grant and Cooperative Agreements Act of 1977, defines the circumstances and conditions for using contracts, grants, and cooperative agreements.
- (3) GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, "Fiscal Procedures," and Appendix B, "Department of the Treasury and General Accounting Office Joint Regulation No. 3 of June 12, 1951, Procedure for Handling Special, Trust, Revolving, and Deposit Fund Collections," provide that receipts deposited to certain special funds are available for expenditure without the issuance of covering warrants.

d. Cosponsored Work Agreements.

- (1) Requirements. Before initiating work, the cognizant Secretarial Officer shall establish and execute a written agreement with all parties in a cosponsored work project. This agreement shall set forth the work to be accomplished, each cosponsor's share of cost, the payment method, and related requirements.
 - (a) When the agreement provides for an incremental financing arrangement with the cosponsor(s), then DOE shall establish a corresponding funding schedule and include it in the written agreement. Such a funding schedule shall provide for sufficient advance payments in accordance with paragraph 4e(3).
 - (b) DOE shall take into consideration, when applicable, the criteria set forth in Attachment IX-1 for establishing reimbursable work agreements.
- (2) Pricing. The development of charges for cosponsored work agreements shall be in accordance with DOE 2200.7, COST ACCOUNTING, Chapter II, "Pricing."

e. Basis of Budgetary Resources.

- (1) DOE. Budgetary resources necessary to perform DOE's share of cosponsored agreements are provided from direct appropriated funds provided the work is budgeted and approved in accordance with the procedures contained in paragraph 3g(2). Consequently, when the appropriated funds are allotted during program execution, the allotment shall serve as both the obligational authority and the budgetary resource to accomplish the work.
- (2) Cosponsor. In cases where DOE will be performing the work in the cosponsored agreement, the budgetary resource necessary to accomplish the non-Federal cosponsor's share of the cosponsored agreement shall be derived from cash advances obtained from the cosponsors before work commences.

- (3) **Advances.** DOE shall not use Federal funds to finance a cosponsor's share of a project. To preclude such financing and to protect the vested interests of all parties, DOE shall obtain advances from non-Federal cosponsors before work commences. Advances shall be sufficient to cover **the obligatory** and cash requirements of the work until a subsequent advance request can be made, collected, and recorded. Advances shall also cover expected termination costs that the Department could **incur on behalf of** the cosponsor, including decontamination and decommissioning of any facility **for which no** further DOE use is planned. In this regard, apply the specific requirements pertaining to advances for reimbursable work for non-Federal customers, described in paragraph **2g(2)**, to advances for cosponsored work.
- f. **Authority Contained in Allotments.** The cognizant Headquarters element programmatically **responsible for the** work shall coordinate with the cosponsor and the CFO to facilitate the transfer of funds from the cosponsor to DOE. DOE shall deposit funds received from non-Federal cosponsors into a special Departmental deposit account. Attachment **IX-6** reflects the current deposit account provided by the Department of the Treasury. The responsible Headquarters element shall prepare and issue **to the CFO** Form **F 2100.1**, "Request for Allotment of Funds for Transfer Appropriations and Other Special Accounts." Once **the CFO** receives DOE **F 2100.1** and certifies that cosponsor's funds have been received and deposited, the form shall be subsequently forwarded by the Director Office of Departmental Accounting and Financial Systems Development (**CR-40**), to the Director, Office of Budget (**CR-10**), for preparation and issuance of the allotment. The allotment of funds to the performing entity provides authority to obligate and expend the funds. The performing element shall not perform work **either in the absence of or in excess of** the authority contained in the allotments.
- g. **Accounting for Cosponsored Work.**
- (1) **Execution and Control of Agreements.** In controlling and accounting for funds received for cosponsored work efforts, DOE shall maintain the **identity** and integrity of each cosponsor's share of funds separately on a project-by-project basis. Furthermore, DOE shall not use Federal funds to supplement or **finance a** cosponsor's share of a project.
- (2) **Accounting for Advances Received for Cosponsored Work.**
- (a) DOE shall deposit all advances received from cosponsors for work to be performed by DOE into a deposit account established by the **Department of the Treasury** (see Attachment **IX-6**). DOE must subsequently transfer the collection from the deposit account to a trust account before obligation and expenditure. The current trust account **provided by** the Department of the Treasury for this purpose is presented in Attachment **IX-4**.
- (b) When DOE receives funds from a foreign cosponsor, the Department shall use the services of the central bank of the country involved

whenever possible. Use correspondent banks only if doing so is cost effective. Arrange for the transfer of funds on a project-by-project basis in consultation with the CFO or the Field CFO.

- (c) **DOE's liability** in cosponsored work projects shall be delimited to the appropriations available for the Department's share of the project.
- (d) The advance payment from a cosponsor shall be recorded as a liability. As cost is incurred revenue will be recognized and the liability account reduced. Use the appropriate designated financial codes and illustrative entries, found in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES, Chapter II, "Financial Codes."

5. APPROPRIATION REFUNDS.

- a. Description. Refunds to appropriations are amounts received that represent the return to DOE of excess payments made to others. Refunds result from overpayments, payments made in error, or adjustments for previous amounts disbursed, including returns of authorized advances and rebates. Unlike reimbursements, refunds are directly related to previously recorded disbursements. Thus, the recovery of an erroneous payment or overpayment qualifies as a refund to the specific appropriation originally charged and is deposited therein, rather than to the General Fund of the Department of the Treasury. Collections shall not be treated as appropriation refund in order to circumvent title 31, section 3302, of the United States Code.
- b. Accounting for Refunds. Deposit such refunds in the same appropriation account as the previously recorded disbursements. The deposited refunds may be immediately available for expenditure and may be available for obligation to the extent of any deobligation, unless deobligation is from a prior year obligation. Detailed policy and guidance for determining the availability of appropriations and fund balances are covered in DOE 2200.5B, FUND ACCOUNTING, Chapter II, "Accounting for Appropriations and Other Funds." When preparing SF-133, "Report on Budget Execution," refunds shall be netted against the obligations and outlays of the appropriation account.

6. INTEGRATED CONTRACTOR COLLECTIONS. Collections made by the Department's integrated contractors are accounted for either as appropriation reimbursements, reductions of cost, or General Fund Miscellaneous Receipts.

- a. Appropriation Reimbursements. All collections for performance of reimbursable work and sales of goods and services under revenue programs will be deposited directly into the Department of the Treasury as a credit to a DOE appropriation account.
- b. Reductions of Cost. Collections accounted for as reductions of cost may be deposited to the contractor's letter-of-credit bank account and netted against

disbursements. The following collections may be accounted **for as reductions of cost**:

(1) **Budgeted Collections.** Collections that **are budgeted as offsets to cost** and represent reimbursement for materials and services may be retained by the contractor **if all of** the following criteria **are met**:

- (a) Retention of collections is authorized by the contract.
- (b) Materials and services **provided** are:
 - 1 Generally of an overhead nature.
 - 2 Incidental to and unrelated to the unique features of the direct program mission.
 - 3 Furnished as a convenience to individuals (primarily DOE and DOE contractor employees).
- (c) Examples areas follows: collections received for bus. food, and cafeteria services; housing; sales from stores inventory; and **col-lections such as** commissions/rebates from travel agents and rebates from GSA for gasoline.
- (d) If collections of this nature are not budgeted as cost offsets, **they must be** returned to the Department of the Treasury as General Fund Miscellaneous Receipts. Collections resulting from the **sale of** materials and services produced as a direct result of the Deprogram mission should be budgeted and accounted for as revenues (see paragraph 3).

(2) **Other Collections.**

- (a) Proceeds of personal property sales if authorized by the contract (see paragraph **9b (2)(c)**).
- (b) Collections from Other DOE contractors for direct **program** mission work performed on a cash basis.
- (c) Refunds resulting from overpayments, **payments** made in error, or adjustments for amounts previously disbursed. **such as** returns of authorized advances.

c. **General Fund Miscellaneous Receipts.** Collections not covered either under Appropriation Reimbursements or Reductions of **Cost as** described above (e.g., interest, penalties, and administrative charges collected on delinquent accounts receivable) will be deposited to the Department of the Treasury as General Fund Miscellaneous Receipts.

7. DONATIONS, GIFTS, AND BEQUESTS.

- a. Description Donations, gifts, and bequests are defined as **unsolicited collections received** by the Department from the public that are neither **attributable** tenor associated with any contractual or other binding devices for performing work or services. Donations, gifts, and bequests provided to the U.S. Government must be deposited into the General Fund of the **Department of the Treasury**. However, donations provided to individual Federal agencies may be available for **use by** that agency, **subject to** statutory authorization.
- b. Authority. Under title 31, section 1302, of the United States Code, an agency **shall not** accept for its own use (that is, for retention **by the agency or for credit to** its own appropriation) gifts of money or other property in the absence of specific statutory authority. In this regard, DOE does have specific authority for accepting public donations. Specifically, Public Law 95-91, section 652, the **Department of Energy Organization Act**, authorizes the Secretary (**S-1**) to "accept, hold, administer, and utilize gifts, bequests, and devises of property, both real and personal, for the purpose of aiding or facilitating the work of the Department." (The Secretary has delegated this authority, on a nonexclusive basis, **to the CFO.**) Pursuant to this, DOE may accept and use gifts, bequests, and devises only after determining that the proposed use of such funds will not violate the terms of the authorizing statute.
- c. Accounting Considerations.
 - (1) Execution and Control of Work The specific use of donations, gifts, and bequests **ultimately** depends on; **the scope** of the enabling legislation and the terms of the gift.
 - (a) Under law, only the Secretary can accept gifts and approve the subsequent use and expenditure of funds.
 - (b) DOE shall meet as closely as possible the terms stipulated **by the** donor for using the gift.
 - (c) Gifts can **be used only in** furtherance of authorized Departmental purposes. Gifts made under the express condition that they be used for some unauthorized purpose shall be promptly **returned to** the donor.
 - (d) DOE must deposit **and allot gifts of cash** through the Allotment and AFP process.
 - (2) Accounting Treatment. DOE shall deposit donations, gifts, and **bequests in** a trust fund account in the Treasury, using the appropriate designated account codes and illustrative entries contained in **DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES**. Attachment **IX-5** contains the Department of the Treasury accounts established for **donations, gifts, and bequests**.

8. **DEPOSIT FUNDS** record receipts and subsequent expenditures of funds held in suspense temporarily and later returned or paid into Department of the Treasury receipts upon **determination of** proper disposition. Deposit fund accounts are **classified in** the 6000 major class series of account symbols (**see** Attachment IX-6).
- a. **Disposition.** Once the **disposition of** the receipt is determined, the finance office shall remove the receipt from the deposit fund accountant record **it in** the applicable account or return it, as appropriate.
 - b. **Review.** Deposit funds shall be reviewed on a quarterly basis, **at a minimum**, to ensure that moneys in the deposit fund accounts are transferred as promptly as **possible** to the credits of the applicable accounts or that they are refunded appropriately.
9. **MISCELLANEOUS RECEIPTS.**
- a. **Policy.**
 - (1) As **a general rule**, all collections received by DOE shall be deposited as miscellaneous receipts to the General Fund of the Department of the Treasury unless otherwise authorized by statute or this chapter.
 - (2) Retaining and using collections that DOE should have deposited **as miscellaneous** receipts constitutes an improper augmentation of DOE's appropriations and is a violation of title 31, section 3302, of the United States Code.
 - b. **Exceptions.**
 - (1) **General.** Enabling, appropriation, and other kinds of legislation provide DOE with **a number** of exceptions to this general rule. These exceptions are described in paragraphs 2 through 8.
 - (2) **Proceeds of Personal Property Sales.**
 - (a) **Disposal by the General Services Administration.** Proceeds received by DOE offices from the sale of plant and equipment shall be handled **ly** as miscellaneous receipts. If the disposal **is to be made by** the General Services Administration, the DOE office clearly **identifies the** accountable **officer and office** by name, station, and symbol to be credited on the requisition and disposal documents. If the property is turned over to the General Services Administration, the DOE office shall make no entries until **the sale** has been completed.
 - (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 in** Federal Property Management Regulation 101-46 and prior to replacement will be deposited in the clearing account **89F3845**, Proceeds of Sales, Personal Property. Such funds will remain available for obligation for the acquisition

of similar items of personal property through the fiscal year following the sale, and a credit to the appropriation charged initially for the replacement shall be made. However, sales proceeds that are not applied to the purchase of the replacement property within the time limits specified shall be redeposited to miscellaneous receipts as prescribed in Federal Property Management Regulation 101-46.404. Proceeds received from sales of property after the purchase of replacement property may be deposited as direct reimbursement credits to the appropriation previously charged for the replacement items.

- (c) Cost Type Contractors' Collections From Sale of Personal Property. Regarding collections by cost type contractors (as stated in their contract), proceeds from the sale of surplus personal property shall be handled as reductions to such contractors' immediate cash requirements and shall be 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. For additional information, see the Federal Property and Administrative Services Act of 1949, Public Law 81-15, sections 201(c) (exchange and sale) and 204(e) (surplus). When personal property is transferred from one cost-type contractor to another (including construction contractors) for disposal, the proceeds from disposal shall be used by the disposing contractor as reductions of costs under the contract operations. When personal property is transferred from a DOE office to an operating contractor solely for the purpose of disposal, the contractor shall return the proceeds to the DOE office, which shall handle them as miscellaneous receipts and return them to the Department of the Treasury.
- (d) Nuclear Waste Fund. Proceeds from the sale of capital equipment owned by the Office of Civilian Radioactive Waste Management shall be returned to the Nuclear Waste Fund or the Interim Storage Fund rather than submitted to the Department of the Treasury as miscellaneous receipts.
- c. Type of Collections. Attachment IX-7 provides a listing of the miscellaneous receipt accounts currently used by DOE. These accounts represent a wide variety of collections, including such significant activities as the sale of electric power by the Alaska, Southeastern, Southwestern, and parts of the Western Area Power Administrations as well as the sale of products from the Naval Petroleum Reserves. A complete listing of all Department of the Treasury General Fund miscellaneous receipt accounts can be found in the supplement to volume 1 of the Treasury Financial Manual.
- d. Accounting Considerations. When depositing collections as miscellaneous receipts into the General Fund of the Department of the Treasury, use the appropriate account codes and entries contained in DOE 2200.10A, ACCOUNTS, CODES, AND ILLUSTRATIVE ENTRIES.

10. **REIMBURSABLE PERSONNEL DETAILS.** Collections received for personnel **detailed** on temporary assignment to other Federal agencies; state, local, and Indian tribal governments; institutions of higher education; or other approved **eligible** organizations shall be returned to the appropriation bearing the expense.
11. **OTHER COLLECTIONS.** Collections received by DOE that cannot **appropriately be** classified under the previously described nine categories (paragraphs 2 through 10) **will** require a determination on a case-by-case basis in consultation with the CFO.



GUIDELINES FOR DEVELOPMENT, REVIEW, AND ACCEPTANCE OF AGREEMENTS FOR
REIMBURSABLE WORK OR SERVICES BY DOE OFFICIALS

1. APPLICABLE FOR ALL TYPES OF REQUESTING CUSTOMERS.

- a. Final execution is completed before the expiration of the **period of** availability for obligation of the appropriations or funds concerned.
- b. Requester commits copayment of ~~asumof~~ money to pay the full cost of the work requested.
- c. Requester commits to payment to a specified DOE activity.
- d. Provide for only specific goods or performance of work and services authorized by law.
- e. Requester must specify in the reimbursable agreement any statutory or other limitations **imposed on** these of funds relative to **the work/service** to be performed, e.g., prohibition against purchasing **ADP and/or** other capital equipment; limitation on amounts to be expended on individual minor construction projects; etc.
- f. Specify that requester funds are available and the specific source of these funds and the time period of availability.
- g. State any reports required.
- h. Specify what capital equipment and real property are to be procured **and who will** own that property.
- i. State the expiration date of the agreement.
- j. If an advance has or will be received, specify the office and account to which it has **or will** be deposited.
- k. Provide for a DOE agreement reference number.
- l. Provide names and mailing addresses of the performing and requesting parties' accounting offices.
- m. Identify total estimated cost **of work** or services to be reimbursed.
- n. Include billing information.
- o. Provide for a certification that goods or services have been received.
- p. Include general, business, and technical provisions of the agreement.
- q* Specify that the reimbursable work will neither **commence in** advance of nor continue in the absence of budgetary resources,

- r. Provide for reimbursement to DOE for **risks resulting** from termination and environmental cleanup.
 - s. Provide **for signature** by inappropriately authorized representative of the **requestor**.
 - t. Determine that the proposed reimbursable agreement contains a complete and final statement **of work** or services to be performed and all required **specifications/documentation**. Incomplete reimbursable agreements shall be rejected and returned to the customer for finalization.
2. **APPLICABLE ONLY WHEN FEDERAL, STATE, OR STATE POLITICAL SUBDIVISIONS ARE INVOLVED.** Specify requester statutory or legal authority cited under which reimbursable work is being requested.
- a. Requester specifies statutory or legal authority under which reimbursable work **is to** be reaccepted and performed.
 - b. When granting exemptions to the cash advance requirement for State and local governments, provide for **a certification** of the statutory limitations precluding cash advance payments.
 - c. Cite the proper appropriation.
 - d. To the extent possible, determine that a reimbursable agreement **was issued** for acceptance/obligation in the current fiscal year for programmatic **considerations** rather than to obligate the funds to extend the **life of** an expiring appropriation.
 - e. Project order interagency agreements issued by DOD activities are **analogous to** contracts placed with commercial customers and to the same extent as such contracts shall be specific, definite, **and certain as to** the work or services encompassed by the agreement. Project order agreements shall not be reaccepted for work or services **of a** recurring or routine nature, i.e., calibration **services**; computer operation services; base operations/ maintenance services, etc. Amendments to project order interagency agreements which effectively increase the scope **of work** or total value of the basic agreement may be accepted anytime during the period **of obligational availability of** the source appropriation, but not thereafter.
 - f. Ensure that work completion dates contained in agreements provide sufficient time to accomplish the requested work or services as delineated in the statement **of work**.

Attachment IX-2

OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: REIMBURSABLE WORK

<u>Account to Which Collections Are Deposited</u>	<u>Account Title</u>	<u>Authority</u>	<u>Type of Collections</u>	<u>Accounting Treatment/ Special Notes</u>
89X0220.92	Reimbursable Work for Non-Federal Entities--Atomic Energy Defense	Public Law 95-91 Energy Reorganization Act	Collections from non-Federal entities for reimbursable work programs related to defense activities.	The amounts collected to offset added factor and depreciation are deposited to 895228, Departmental Administration Special Receipt Account.
89X0220.93	Reimbursable Work for Federal Agencies--Atomic Energy Defense	15 U.S.C. 1535	Collections from Federal agencies for reimbursable work programs under defense appropriations.	
89X0224.93	Reimbursable Work for Federal Agencies--Energy Supply and Research and Development	5 U.S.C. 1535	Collections from Federal agencies for reimbursable work programs under other than defense appropriations.	
89X0303.	Reimbursable Work for Non-Federal Agencies--Southwestern Power Administration		Collections from non-Federal agencies for reimbursable work programs under the Southwestern Power Administration.	
89X0303.93	Reimbursable Work for Federal Agencies--Southwestern Power Administration		Collections from Federal agencies for reimbursable work programs under the Southwestern Power Administration.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X5068.92	Reimbursable Work for Non-Federal Entities—Western Area Power Administration	31 U. S. C. 1535	Collections from non-Federal entities for reimbursable work programs under the Western Area Power Administration.	
89X5068.93	Reimbursable Work for Federal Agencies—Western Area Power Administration	5 U. S. C. 535	Collections from Federal agencies for reimbursable work programs under the Western Area Power Administration.	

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: REVENUES

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/Special Notes
Revenues available to DOE for immediate use:				
89X0206	Geothermal Loan Guarantee and Interest Assistance Program-Geothermal Resources Development Fund	16 U.S.C. 410	Fees and recoveries collected for Geothermal Loan Guarantee Power Act.	
89X0233	Strategic Petroleum Reserve Petroleum Account	Public Law 97-35	Proceeds from Resale of Strategic Petroleum Reserve oil reserves.	
89X4045	Bonneville Power Marketing Fund	16 U.S.C. 838i; 42 U.S.C. 7151-7152	Receipts collections and recoveries from all sources, including trust funds and loan proceeds from the Bonneville Power Administration Revolving Fund.	Deposit directly into revolving fund 89X4045.
89X4180	Isotope Production and Distribution Fund			
89X4452	Colorado River Basin Power Marketing Fund, Western Area Power Administration	43 U.S.C. 620d; 42 U.S.C. 7152	Revenues received from the Colorado River Storage Project, the Colorado River Basin Project. and the Fort Peck Project.	Deposit directly into revolving fund 89X4452.

Account to Which Collections Are Deposited	Account Title	Collections	Accounting Treatment/ Special Notes
89X5105	Licenses under Federal Power Act for Public Lands and National Forests	16 U.S.C. 810	Receipts from licenses for occupancy and use of national forests and public lands. Direct deposit; i.e., revenues deposited directly into expenditure account 89X5105.
89X5180	Energy Security Reserve Alternative Fuels Production	42 U.S.C. 5915	Revenues from operating the Great Plains Gasification Project. Direct deposit; i.e., revenues deposited directly into expenditure account 89X5180.
Revenues that are offset against appropriations or used as a direct source for appropriation:			
.26	Sale of Electric Energy, Bonneville Power Administration	43 U.S.C. 391	Collections from the sale of power that are required to be returned to Bureau of Reclamation.
895000.27	Sale of Power, Western Area Power Administration	43 U.S.C. 391	Receipts from the sale of power, Western Area Power Administration Reclamation Fund. A portion of these receipts are used to fund 895069 Western Area Power Administration Emergency Fund. Expenditures from 89X5069 are authorized for specified emergencies.
895000.28	Other Reclamation Fund	43 U.S.C. 391	Other receipts generated from providing power.
895226	Revenues from Enrichment of Uranium	42 U.S.C. 5821(h); 95 Stat. 1143	Receipts from the sale of enrichment services in the Uranium Enrichment Program. At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5226. Departmental accounting will then transfer to 89X0226. These revenues will be used to offset the appropriation.

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X5227.1	Nuclear Waste Fund—Fees for Disposal of Spent Nuclear Fuel	53 U.S.C. 10222	Fees collected from public utility companies that generate or own domestic spent nuclear fuel or high-level radioactive waste resulting from civilian nuclear activities, for the preparation, transportation, and disposal of the waste.	The fund account from which nuclear waste expenditures are made is 89X5227. The expenditure account 89X5227 is funded by deposits in 89X5227.1 and 89X5227.2.
89X5227.2	Nuclear Waste Fund—Interest and Profits Earned on Investments in Public Debt Securities	42 U.S.C. 10222	When the deposits to 89X5227.1 exceed the expected expenditures (refer to DOE 2200.9B, MISCELLANEOUS ACCOUNTING, Chapter VI, "Nuclear Waste Fund") from 89X5227 the Department is authorized to invest these excess funds in Government securities. The interest and profits from these investments are deposited in 89X5227.2.	Unrealized discounts from the purchase of securities are recorded in 89X5227.21. When the discounts are realized, they are transferred to 89X5227.2.
.1	Departmental Administration Miscellaneous Revenues—Regular Funding	Public Law 81-152 section 204(d); 97 Stat. 259	Revenues collected for products sold and services rendered under the cost of work for others program and other miscellaneous receipts budgeted as Departmental administration.	At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5228. Departmental accounting will then transfer these funds to 89X0228. These revenues will be used to offset the appropriation.

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
895228.2	Departmental Administration Miscellaneous Revenues— Incremental Funding	Public Law 98-50	Incremental revenues for Departmental administration. DOE. This account is used in accordance with language that provides for any increase in cost of work programs when that increase is funded by an equal increase in revenue.	At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5228. Departmental accounting will then transfer these funds to 89X0228. These revenues will be used to offset the appropriation.
89X5229.1	Interim Storage Fund— Fees for Storage of Spent Nuclear Fuel	42 U.S.C. 10156	Fees collected for interim storage of spent nuclear fuel.	The fund account from which interim storage expenditures are made is 89X5229. The expenditure account is funded by deposits in 89X5229.1 and 89X5229.2.
89X5229.2	Interim Storage Fund— Interest and Profits on Investments in Public Debt Securities	42 U.S.C. 10156	When the deposits to 89X5229.1 exceed the expenditures from 89X5229, DOE is authorized to invest these excess funds in Government securities. The interest and profits from these investments are deposited in 89X5229.2.	Unrealized discounts from the purchase of securities are recorded in 89X5229.21. When the discounts are realized they are transferred to 89X5229.2.
895230	Revenues from fees and Services Federal Energy Regulatory Commission— Special Receipt Account	Public Law 97-256; 96 Stat. 2238; 97 Stat. 258	Proceeds from fees and services provided by Federal Energy Regulatory Commission.	At the end of the fiscal year, the Department of the Treasury will warrant these amounts in 89X5230. Departmental accounting will then transfer these funds to 89X0230. These revenues will be used to offset the appropriation.

Attachment IX-4

1-7-93

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: COSPONSORED WORK

<u>Account to</u> <u>Which Collections</u> <u>are Deposited</u>	<u>Account Title</u>	<u>Authority</u>	<u>Type of Collections</u>	<u>Accounting Treatment/</u> <u>Special Notes</u>
89X8575	Advances for Cooperative Work	Public Law 95-91 Public Law 93-438 Public Law 95-224	Advances from foreign private industries, domestic sources, international cooperative agreements, and public utilities for various experiments and research projects.	

DOE 2200.6A
Attachment IX-4



DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: DONATIONS, GIFTS, AND BEQUESTS

Account to Which Collections are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89X8576	Donations, Gifts, and Bequests	Public Law 95-91 sec. 652	All gifts, bequests and donations are deposited in 89X8576.	



Attachment IX-6

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: DEPOSIT ACCOUNTS

<u>Account to Which Collections Are Deposited</u>	<u>Account Title</u>	<u>Authority</u>	<u>Type of Collections</u>	<u>Accounting Treatment/ Special Notes</u>
89X6050	Payroll Deduction for Savings Account		Payments collected for payroll deduction.	
89X6090	Unclaimed Moneys Due Creditors of Contractors with the United States Under Cost-Plus-a-Fixed-Fee Contracts, DOE	91 Stat. 30-301	Moneys received by DOE for which the purpose of the receipt cannot be identified.	
89X6275	State and Local Incomes Pending		Payments collected for State and local income taxes.	
89X6424	Advances for Cosponsored Work	42 U.S.C. 5813 42 U.S.C. 7151	Payments from cosponsors for cooperative projects when the sponsors' payments are to be held for transfer to a third party or to an expenditure account at some date in the future.	For work performed by DOE for Cooperative Projects, the funds are subsequently transferred to and allotted from 89X8575, Advances for Cooperative Work.
89X6425	Payments by Alleged Violators of DOE Regulations, DOE	31 U.S.C. 3513	Collections received from oil companies in settlement of violations of the Emergency Petroleum Allocation Act of 1973 (EPAA) and the Economic Stabilization Act of 1970 (ESA). These funds are held in fiduciary responsibility and	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			invested in either Department of the Treasury securities or through DOE's Minority Financial Institutions Deposit Program. These funds are subsequently used either to settle claims by third parties determined to have been injured by violation of the EPAA and the ESA or as otherwise directed by Congress.	Additional guidance is provided in DOE 2200.9B, MISCELLANEOUS ACCOUNTING, Chapter V, "Accounting for Consent Orders."
89X6427	Low-Level Radioactive Waste, DOE	99 Stat. 1849	Collections from generators of low-level radioactive waste. Twenty-five percent of the surcharge fees collected by States operating commercial low-level waste disposal sites are transferred to DOE monthly. These funds are held in fiduciary responsibility, invested in Department of the Treasury securities, and subsequently disbursed, in accordance with statutory provisions, to States involved in development or operation of waste disposal facilities.	
89X6772	Contract Holdbacks, Southwestern Power Administration, Power Marketing Administration, DOE	42 U.S.C. 715 - 7152	Funds held on contracts until proper disposition is determined.	

Account to
Which Collections

Are Deposited Account Title Authority Type of Collections Accounting Treatment/
Special Notes

89X6875	Unidentified Remittances which are credited as Suspense Items Outside the Budget		Payments credited as suspense items outside the budget unless there is reasonable chance that they will be credited to a receipt, appropriation, or fund account within the budget.	
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Attachment IX-7

DEPARTMENT OF THE TREASURY ACCOUNTS TO WHICH COLLECTIONS ARE DEPOSITED: MISCELLANEOUS FUNDS TO DEPARTMENT OF THE TREASURY

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
Revenues programs:				
892230	Sale of Minerals and Mineral Products, DOE	31 U.S.C. 3302	Sale of gas and oil produced from Government-owned land and products of synthetic liquid fuels demonstration plants.	
892242	Sale and Transmission of Electric Energy, Alaska Power Administration	31 U.S.C. 3302	Funds from sale of power and other utilities provided by the Alaska Power Administration.	
892245	Sale and Transmission of Electric Energy, Falcon Dam	31 U.S.C. 3302	Funds from sale of power provided by the Western Area Power Administration.	
892247	Sale and Transmission of Electric Energy, Southwestern Power Administration	31 U.S.C. 3302	Funds from sale of power and other utilities provided by the Southwestern Power Administration.	
892248	Sale and Transmission of Electric Energy, Southeastern Power Administration	31 U.S.C. 3302	Funds from sale of power and other utilities provided by the Southeastern Power Administration.	
892249	Sale of Power and Other Utilities, Not Otherwise Classified	31 U.S.C. 3302	Funds from sale of power provided by the Western Area Power Administration.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/Decimal Notes
Other collections:				
890840	Patent, Trademark, and Copyright Fees	31 U.S.C. 3302	Fees and other charges related to application issuance of patents , trademarks, and copyrights.	
890869	Fees for Legal and Judicial Services, Not Otherwise Classified	31 U.S.C. 3302	Costs of administering special programs, fees and charges for administrative, professional, and judicial services.	
89 020	Fines, Penalties, and Forfeitures, Economic Stabilization Laws	31 U.S.C. 3302	Fines and damages for violations of Emergency Price Control, second War Powers, and similar acts.	Includes payments from account 89X6425 , Payments by Alleged Violators of DOE Regulations, that are to be returned to the Department of the Treasury as miscellaneous receipts.
891030	Fines, Penalties and Forfeitures, Immigration and Labor Laws	31 U.S.C. 3302	Forfeiture of bonds posted by aliens, penalties for violation of various labor laws, and unclaimed back wages under these acts.	
891060	Forfeiture of Unclaimed Money and Property	31 U.S.C. 3302	Unclaimed money and proceeds from the sale of abandoned or confiscated property —from veterans or military personnel, patients and residents of Federal hospitals. unexplained balances in cash accounts, and payroll allotment accounts for U.S. savings bonds.	
891099	Fines, Penalties, and Forfeitures Not Otherwise Classified		For depositor Administrative charges and penalties.	

Account to Which Collections Are Deposited	Account Title	Authority	Accounting Treatment/ Special Notes
891347	Interest on Loans and Advances to Nuclear Waste Fund, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investment in corporations or funds that are wholly owned by the Government.
891348	Interest on Loans and Advances to Interim Storage Fund, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investment in corporations or funds that are wholly owned by the Government.
891349	Interest on Loans and Alternative Fuels Production, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investment in corporations or funds that are wholly owned by the Government.
89 351	Interest on Loans to Bonneville Power Administration Fund, DOE	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investment in corporations or funds that are wholly owned by the Government.
891424	Interest on Investments Colorado River Project	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's investment in corporations or funds that are wholly owned by the Government.
891427	Interest on Advances to Colorado River Dam Fund, Boulder Canyon Project	31 U.S.C. 3302	Interest paid to the Department of the Treasury on the Government's

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
			investment in corporations or funds that are wholly owned by the Government.	
89 435	General Fund Proprietary Interest, Not Otherwise Classified	31 U.S. 3302	Interest penalties on debts and interest paid to the Department of the Treasury on the Government's investment in corporations or funds that are wholly owned by the Government.	
892889	Payments on Miscellaneous Recoverable Costs, Not Otherwise Classified			
893220	General Fund Proprietary Receipts, Not Otherwise Classified, All Other	31 U.S.C. 3302	Refunds on containers, State and local taxes; recoveries of court costs. Freedom of Information Act costs, etc.	
895012	License Under Federal Power Account	16 U.S.C. 810		
895013	License Benefit Charges	16 U.S.C. 803(f)		
Clearing accounts:				
89F3845	Proceeds of Sales, Personal Property		Funds received from the sale of personal property disposed pursuant to the Federal Property Management Regulation.	
89F3875	Budget Clearing Account (Suspense)		Account used for unidentified funds which are required to be held in suspense because the specific account to be credited is not yet known.	

Account to Which Collections Are Deposited	Account Title	Authority	Type of Collections	Accounting Treatment/ Special Notes
89F3878	Deposits in Transit Differences (Suspense)		This account is subject to adjustments by the Department of the Treasury for discrepancies relating to deposit tickets and/or debit vouchers that have aged 6 months or more. Balances shall be cleared to the correct account as expeditiously as possible.	
89F3879	Undistributed and Letter of Credit Differences (Suspense)		Amounts held in suspense until determination is made to the correct account.	
89F ④	Unavailable Check Cancellation and Overpayments (Suspense)		Account used to hold checks cancelled and overpayments until they are properly placed.	



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

PAGE CHANGE

DOE 2200.6A Chg 1

4-13-93

SUBJECT: FINANCIAL ACCOUNTING

1. **PURPOSE**. To transmit revised pages to DOE **2200.6A**, FINANCIAL ACCOUNTING, of **1-7-93**, Chapter IV, "Investments" and Chapter VI, "Plant and Capital Equipment."
2. **EXPLANATION OF CHANGE**.
 - a. Chapter IV: To incorporate changes in the Treasury Financial Manual clarifying the availability of funds for investment.
 - b. Chapter VI:
 - (1) Paragraph **1e**, page **VI-3**, has been revised to clarify the differences, both in definition and in funding, between a property record unit and a retirement unit.
 - (2) Paragraph **1f(2)**, page **VI-5**, has been revised to delete alterations from the plant and capital equipment funding category.
 - (3) Paragraph **1f(3)(a)2**, page **VI-6**, has been revised to include alterations in the expense funded category.
 - (4) Paragraph **1g(4)**, page **VI-11**, has been revised to clarify the distinction between alterations and betterments and make the changes consistent with DOE 4700.3, GENERAL PLANT PROJECTS, of 9-16-91, and the Acting Chief Financial Officer's (**CFO's**) interim guidance on funding of alterations, of 12-31-91.
 - (5) Paragraph **1g(5)**, page **VI-11**, has been revised to establish consistency with DOE 4700.3 and the Acting **CFO's** interim guidance on funding of alterations.
 - (6) Paragraph **2h**, page **VI-19**, has been revised to delete alterations and the last sentence from the general plant projects definition to establish consistency with DOE 4700.3 and the Acting **CFO's** interim guidance on funding of alterations.
 - (7) Paragraph **3k(2)**, page **VI-26**, has been revised to establish consistency with the Acting **CFO's** interim guidance on funding of alterations.

DISTRIBUTION:

All Departmental Elements

INITIATED BY:

Office of Chief *Financial Officer*

3. FILING INSTRUCTIONS.

<u>Remove Page</u>	<u>Dated</u>	<u>Insert Page</u>	<u>Dated</u>
vii and viii	1-7-93	vii	4-13-93
IV-1 and IV-2	1-7-93	viii	1-7-93
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		IV-2	4-13-93
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VI-25 and VI-26	1-7-93	VI-20a (and VI-20b)	1-7-93
		VI-25	1-7-93
		VI-26	4-13-93

b. After filing the attached pages, this transmittal may be discarded.

BY ORDER OF THE SECRETARY OF ENERGY:



LINDA G. SYE
Acting Director of Administration
and Management

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CHAPTER IVINVESTMENTS1. INTRODUCTION.

- a. **Purpose.** To establish policies and general procedures for the management of and accounting for all moneys received by DOE that are available for investment in interest-bearing Department of the Treasury securities.
- b. **Applicability.** The provisions of this chapter apply to all DOE elements that manage funds with investment authority. Investment authority is a **legal** right granted to a Federal agency, through congressional legislation, which authorizes the investment of cash balances in interest-bearing Department of the Treasury securities.
- c. **Exceptions.** This chapter does not apply to pension funds for contractor employees.

2. REQUIREMENTS for investments are as follows:

- a. Effectively manage investments from the critical investment planning process through the final redemption of the investment securities;
- b. Invest **only** non-Federal funds;
- c. Limit investments to Department of the Treasury securities that are purchased through the Department of the Treasury, and not on the open market;
- d. Maximize return on investments within stated DOE or Department of the Treasury policies;
- e. Maintain sufficient liquidity to meet operational disbursement requirements;
- f. Record investment transactions on a timely basis, but not later than the end of the month in which the transactions occur;
- g. Maintain investment accounts on an accrual basis;
- h. Maintain subsidiary investment records as appropriate;
- i. Establish operating procedures to preclude overinvestment of funds; and
- j. Restrict initiation of investment activities to employees specifically delegated the authority to perform this function.

3. INVESTMENT PROCEDURES.

a. General.

- (1) Moneys available for investment are categorized as provided by law, legal judgments, or international agreements. Funds may not be invested before they are deposited, collected, and available to the Department of the Treasury. Generally, funds may be considered available 2 days after the date of deposit (the confirmed date on **SF-215**, "Deposit Ticket"). However, an exception to the **2-day** policy applies to Automated Clearinghouse collections through the Federal Automated Lockbox Network or electronic funds transfers directly to the Department of the Treasury's account at the Federal Reserve bank. Funds collected through these mechanisms are available to the Department on the settlement date of the funds transfer.
- (2) As a matter of policy, only Department of the Treasury market-based special (**MK**) securities may be purchased as an investment. One exception to this policy is DOE's investment in **6-month** certificates of deposit, pursuant to the Minority Financial Institutions Deposit Program of the Office of Minority Economic Impact (**MI-1**). Under this program, a portion of the Petroleum Pricing Violation Escrow Fund is invested through designated trustee banks in \$100,000 certificates of deposit with minority financial institutions bearing interest at the prevailing **6-month** Department of the Treasury bill rate. All funds deposited under this program are fully insured by either the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.
- (3) An **MK** security is an issue identical in every respect, except for transferability and composite price, to any marketable" Department of the Treasury issue being traded or sold in the Government securities market, specifically, Department of the Treasury 1-day certificates, bills, notes, or bonds. These instruments are virtually risk free and generate reasonable rates of return. The following **MK** securities may be purchased:
 - (a) One-Day Certificates. Department of the Treasury 1-day certificates are used when funds of \$1 million or more cannot be invested in longer term securities or when funds are required to meet immediate cash needs for a particular program. This investment mechanism is commonly referred to as "overnight investment," since the funds invested on one day, plus the interest earned on that investment, are available for use the following business day. As with other **MK securities**, Department of the Treasury Fiscal Service Form (**TFS**) **1081-1**, "Investment Authorization and Schedule of Withdrawals and Credits," and **TFS-1081-2**, "Redemption Authorization and Schedule of Withdrawals and Credits," support the investment and redemption, respectively, of the 1-day certificates. Both documents are prepared by the Department of the Treasury. To properly execute investments in 1-day certificates, information on daily receipts and disbursements, interest earned, funds realized from redemption of securities, and funds expended in the **purchase** of securities must be collected and the amount available for investment must be calculated.

- (b) **Bills.** Department of the Treasury bills (T-bills) are purchased when funds beyond immediate needs are on hand (as a result of investment instruments maturing or significant receipts from the private sector) that will be required within the next 12 months. Although T-bills have maturity periods (from the date originally issued to the maturity date) of 3 months, 6 months, and 1 year, actual investments



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 (interest expense on power investments is detailed in paragraph 1d(7)):

- (a) Expenditures for **P&CE** have been made, and
 - (b) Activities that are necessary to get **P&CE** ready for its intended use are in progress.
- (6) Sensitive items that are susceptible to being taken for personal use or that are readily salable for cash—such as firearms, photographic equipment, tape recorders, calculators, and power hand tools—that do not meet the capitalization criteria should be charged as an operating expense and recorded in the property record system at acquisition cost for inventory traceability. No entries in the completed **P&CE** accounts are required.
- (7) **Interest** expense on the unpaid power investment is a required portion of the costs to be recovered by power revenues and therefore must be computed and returned to the Department of the Treasury over the repayment life of the plant. Rates to be used in computing interest on investment shall be those officially established by law or administrative procedures pursuant to law.

e. Property Record Unit Concept.

- (1) Property record units are designed to establish divisions of the completed **P&CE** accounts. **Property** record units facilitate the **recording** of changes to property accounts **and** the reconciliation of physical **inventories** with financial accounts.
- (2) A property record unit, sometimes called a **P&CE** record unit, is a 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. **In** selecting the property record unit, consideration should be given to its use, relationship with other associated items, relative importance, frequency of anticipated property changes, and monetary value. Generally, \$5,000 or more is considered as sufficient monetary value to justify maintaining continuing records of the property unit. 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 shall be capitalized. All other costs related to the retirement unit shall 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 shall 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 shall 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. Although items identified as retirement units are capitalized in the accounting records, from a budgeting perspective, the substitution of a new retirement unit of essentially the same type and performance capabilities as the replaced retirement unit should be funded out of operating funds. However, the substitution of a new retirement unit having significantly improved and superior performance capabilities beyond those of the replaced retirement unit is considered a betterment and should be funded out of capital funds.
- (4) Each field element or integrated contractor shall develop and maintain its own property record **unit** catalog or one that may serve 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 shall be done annually by the cognizant Field Element Chief Financial Officer (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 **P&CE** costs are assembled and recorded in the field and contractor **P&CE** records. The description of each property record unit is intended to provide sufficient information to identify the unit in the **P&CE** records and for physical inventory purposes. The retirement units applicable to each property record unit provide a basis for distinguishing between capital (**P&CE**) and expense charges. Samples of property record unit catalog entries appear as Attachment **VI-2**. 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.

f. Guidelines for Distinguishing Plant and Capital Equipment Expenditures from Operating Expenditures.

- (1) Although operating expenditures and **P&CE** expenditures are now consolidated under the same appropriation, separate functional classifications are required and the distinction between operating and **P&CE** expenditures must be maintained at all levels of procuring, accounting, and reporting.
- (2) Consider the following two factors in determining whether an action should be classified as **P&CE**: the nature of the item to be purchased or constructed and the service life and cost of the item to be purchased or constructed. Budget and procurement procedures shall ensure that **P&CE** procurements are properly matched to corresponding funding ceilings. The various types of **P&CE** items may be categorized broadly as follows:

(a) Plant.

- 1 Land includes land rights, depletable resources (minerals and timber), and improvements to land.
- 2 Buildings include all structures, additions, or improvements to structures (but not normal maintenance).
- 3 Construction includes all elements associated with construction in progress.
- 4 Utilities include water and sewage systems; heating, cooling, and power systems; communications systems; and fire prevention systems.

(b) Capital Equipment.

- 1 Heavy Equipment includes all vehicles, railroad stock, processing or manufacturing machinery, shop machinery, reactor or accelerator machinery, and reserve construction machinery.
- 2 Special and Scientific Equipment includes medical, laboratory, and security equipment.
- 3 Automated Data Processing Equipment includes computers, printers, cathode ray tubes, operating system software, and interface peripherals.

(3) The following are examples of costs that are expensed:

(a) Plant.

- 1 Land. Expense normal maintenance and repair, such as periodic vegetation control, repairs to sections of sidewalks, and roads that are less than a retirement unit.
- 2 Buildings. Expense normal maintenance and repair, such as painting, cleaning, and small repair jobs not resulting in an addition, replacement of a retirement unit, or a betterment. Alterations are also expensed.
- 3 Construction. Expense demonstration plants that have 1 **imited** service lives and that will not be used for actual production or operations.

(b) Equipment.

- 1 Expense equipment not meeting the capitalization criteria.
- 2 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**.
- 3 Expense testing and reworking of prototype equipment for which design has been established.

(4) The appropriate funding source (operating or **P&CE**) can also be determined by relating funding needs to specific project activities as defined below:

(a) Pre-Title I Activities are all activities taking place prior to the start of preliminary design. These activities are charged to operating expense whether they are performed by the architect or engineer or by the integrated contractor, and they include such activities as the following:

- 1 Siting and engineering studies conducted to establish project scope, feasibility, and need;
- 2 Conceptual design report (**CDR**) and a preliminary safety analysis report, if it is prepared as part of the conceptual design report;
- 3 Preparation of construction project data sheets;
- 4 Preparation of design criteria;
- 5 National Environmental Policy Act documentation preparation; and

6 Formulation of quality assurance criteria and plans during the conceptual stage of design.

- (b) Title I Design is the preliminary stage of project design. **In this** phase, design criteria are defined in greater detail to permit the design process to proceed with development of alternate concepts and a Title I design summary. These activities are to be capitalized



- e Providing input to construction progress reports as required; and
 - f Providing the required inspection and testing to ensure compliance with the quality assurance plan.
- (e) Construction. All costs for construction equipment, material, labor, and overheads shall be capitalized, except as provided below:
- 1 When construction is **performed** by an integrated operating contractor, only the direct construction costs and the incremental indirect costs resulting from the contractor's construction activity shall be capitalized. Indirect costs that will continue regardless of construction activity shall not be included in construction, but charged to operating expense.
 - 2 When construction is performed by DOE, all costs incurred related to the construction work. **except** for DOE **general** and administrative costs, shall be capitalized.
- (f) Construction Management typically includes the review and approval of construction packages, review and acceptance of construction test procedures, and control of field design change requests. The construction manager supports the construction contractor by furnishing items not provided in the bid package, such as security, temporary facilities, debris removal, and similar project requirements not included in the bid package. All costs associated with construction management shall be capitalized.
- (9) Project Management covers services provided by the integrated operating contractor project manager and the Head of the Field Element's dedicated DOE support staff beginning with Title I and continuing through the completion of construction. These activities are distinguished from integrated operating contractor project support activities in that project management is by dedicated personnel performing duties related solely to the project. All costs associated with project management shall be capitalized, because the great majority of effort is expended during construction. Project management during the design phase of major projects or major system acquisitions authorized for design only is also capitalized. The following activities are examples of work included in the scope of project management:
- 1 Technical management and liaison with designers during Titles I, II, and III;
 - 2 Coordination, including interface control during design and construction;
 - 3 Maintenance and operation of scheduling, estimating, and project control systems during design and construction;

- 4 Technical management and coordination of the construction manager and support staff;
 - 5 Overall management and coordination of the activities of **nondedicated** project support personnel;
 - 6 Technical management of review and approval activities conducted by dedicated management personnel;
 - 7 Coordination of all aspects of the project; and
 - 8 Preparation, revision, and **related activity in support of the final safety analysis report.**
- (h) **Project Support** covers activities performed by the integrated operating contractor for internal management and technical support of the project manager by **nondedicated** personnel. Project support shall be charged to operating expense. The following activities are illustrative of support services provided by integrated operating contractors:
- 1 Document control;
 - 2 Compliance audit of quality assurance, health physics, safety, and environmental requirements; and
 - 3 Design review by **nondedicated** operating contractor personnel on an as-needed basis, including independent technical analysis, **constructability** review, life cycle cost comparisons, life safety review, health physics review, and code checks.
- (i) **Startup** covers one-time costs incurred by the integrated operating contractor during the transition between the completion of construction and operation of the facility. All such costs are charged to operating expense. They include the following:
- 1 Operations, planning, operator training, and operational readiness review;
 - 2 Startup coordination, postacceptance testing, cost of startup chemicals, and related supplies; and
 - 3 Salaries of startup personnel.

g. Accounting for Maintenance. Repairs, Alterations, and Betterments.

- (1) **Repair** is the restoration or replacement of a deteriorated item of **P&CE**, such that it may be utilized for its designated purpose. The cost of repair is normally charged to an operating expense account and includes amounts for labor and associated supervision and materials, as well as indirect and other costs incurred in such repairs, but does not include

the costs to replace items of **P&CE** designated as retirement units. (Power marketing administrations should refer to publications and studies on utility plant service lives.)

- (2) Maintenance is the recurring day-to-day work that is required to maintain and preserve **P&CE** in a condition suitable for it to be utilized for its designated purpose. It differs from repair in that it is normally work to correct wear and tear before major repair is required, and it is usually less involved than repair work. Maintenance work is typically charged to an operating expense account.
- (3) Preventive Maintenance is the utilization of periodic inspections, adjustment, lubrications, and minor repairs to plant property for the purpose of maintaining its useful life and reducing the frequency and magnitude of breakdown repairs. Preventive maintenance is a specialized category for the broader category of maintenance. Preventive maintenance is typically charged to an operating expense account.
- (4) Alteration is the work required to adjust 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. It does not result in a betterment to the property record unit. The following are examples of alterations:
 - (a) Removal or installation of interior walls for purposes of rearranging the layout of an office building, and the incidental heating and ventilation ducting system modifications that do not significantly extend the capacity of the system.
 - (b) Constructing a door or passage through an interior structural wall.
 - (c) Installation of new lighting fixtures that do not significantly increase the lumens emitted but may result in energy or maintenance savings.
- (5) Betterments are improvements to **P&CE** which result in better quality, higher capacity, or an extended useful life, or work required to **accommodate** regulatory and other requirement changes, and are capitalized. Determining when and to what extent an expenditure should be treated as a betterment requires the exercise **of judgement**. When a minor item is replaced in each of a number of similar units, the effect of the replacement as related to each unit, rather than to the cumulative costs, is the proper basis for determining whether or not a betterment is effected. Although a particular project may meet the characteristic of a betterment, if the capitalization criteria are not met or the improvement added is insignificant, then the project should be expensed. Listed below are various terms which are **commonly** used to describe various 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 under this category include the following types of work:
- 1 Replacing standard walls with fireproof walls
 - 2 Installing a fire sprinkler **system** in a space that was previously not protected with a sprinkler system;
 - 3 Replacing utility system components with **significantly** larger capacity components, for example, replacing a **200-ton** chiller with a **300-ton** chiller; and
 - 4 Converting the functional purpose of a room, for example, converting an office into a computer room.
- (b) 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 is a complete reconstruction of a plant record unit which 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 **P&CE** accounts and the cost of the newly installed item (including installation cost) is added to the **P&CE** accounts.

NOTE: The text previously on this page
has been shifted to pages **VI-10a** and **VI-10b**.

¹ h. Plant and Equipment Changes.

- (1) construction Work in Progress. The account Construction Work in Progress includes costs of additions and retirements of **P&CE** that are in progress and are being accumulated during the acquisition or construction period. The acquisition cost of construction work in progress shall be closed to the completed **P&CE** accounts when the equipment and facilities are placed in service (that is, beneficial occupancy) even though the entire project is not financially completed. The acquisition cost of items being retired shall be closed to the appropriate accumulated depreciation account when items are actually disposed of. All costs that relate to **P&CE** changes in progress and the cost of unconsumed construction materials, supplies, and temporary construction facilities shall be included in the account. Detailed accounting records shall be maintained for the following (when work is performed under cost-type contracts, the detailed accounting records for each project or job shall be further subdivided to facilitate cost control and to make entries to **P&CE** accounts and continuing property records):
 - (a) Each construction project or job, including undistributed construction costs, for example, construction materials and supplies, construction equipment, and temporary facilities, and
 - (b) Each type of capital equipment.
- (2) Demolition, Dismantling, and Removal Costs and Salvage Credits. Removal costs shall 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) Costs are incurred when it is economical to salvage or reuse items,
 - (b) The removal is necessary for health and safety considerations, and
 - (c) Contractual agreements require removal.
- (3) Abandoned Projects. Project costs shall 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 **P&CE**. These costs, less any salvage

connected with the construction of a full-scale plant and is expected to operate only as a pilot plant until the full-scale plant is constructed, in operation, and accepted for its intended purpose. The costs of designing and constructing all buildings or structures in which experiments or demonstrations are to be conducted, as well as the related auxiliary or supporting facilities, such as utility systems, roads, and walks, shall be included in the construction project and capitalized when completed.

- (3) Capital equipment required to support experimental and demonstration projects should be treated as capital equipment not related to construction unless it can also be reasonably expected to be consumed or destroyed during the experiment or demonstration. For example, capitalize all shop and laboratory equipment, measuring devices, fans, pumps, motors, and other individual items or assemblies of equipment associated with or used to support the experiment but not built into the experiment. The costs of that equipment shall be recorded in the completed **P&CE** accounts when purchased, regardless of source of funding.
- (4) When it is not easy to ascertain the actual costs of items of **P&CE** that were budgeted and accounted for under the operating expenses appropriation that were subsequently capitalized, those items shall be recorded in the completed **P&CE** accounts by using estimated amounts approved by the Head of the Field Element.

h. General Plant Projects.

- (1) General plant projects are miscellaneous minor new construction projects of a general nature, the total estimated costs of which may not exceed the congressional authorization of \$1.2 million per project. General plant projects are necessary to adapt facilities to new or improved production techniques; to effect economies of operations; and to reduce or eliminate health, fire, and security problems. These projects provide for design or construction (or both); additions; and improvements to land, buildings, and utility systems, and they may include construction of small new buildings, replacements or additions to roads, and general area improvements.
- (2) By their nature, general plant projects are difficult to detail in advance and are subject to changing priorities and requirements, emergencies, and contingencies arising after the budget submission that may force changes in scope, schedule, and the order in which these projects are undertaken.
- (3) General plant projects moneys are not intended to be used in incremental segments to construct larger facilities. Care should be exercised to ensure that each specific project is a discrete, standalone entity. Each project is to result in the delivery of a complete and usable facility. In this regard, only general plant projects funds can be used to make the facility complete and usable.

- (4) When design is funded in one fiscal year and construction is funded in the next fiscal year, every effort shall be made to complete the construction as early as possible. The cognizant field element must maintain controls



to ensure compliance with the \$1.2 million limitation and incremental funding prohibitions.

i. Existing Facilities Moved Because of Construction Activities.

- (1) Moving existing permanent 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 shall be budgeted and accounted for as a cost of the new project. Removal costs shall be charged to Construction Work in Progress—Status Code for Removal Costs. The book cost of materials reused in the new project shall be credited to Construction Work in Progress—Status Code for Salvage Credits, and charge the assigned cost to the new project. The book cost of other materials salvaged shall also be credited to Construction Work in Progress—Salvage Credits, and this cost shall be charged to inventory or other appropriate accounts. Removal costs and salvage credits shall 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) shall be charged to Plant and Capital Equipment Adjustments—Extraordinary Losses (B&R YN). The book cost of the retired facilities shall be closed directly to the appropriate accumulated depreciation account.
- (2) Costs of moving temporary construction facilities shall be charged to Construction Work in Progress accounts and distributed to all projects served by the temporary facilities. (See DOE 2200.7, COST ACCOUNTING, Chapter I, "Costing.")

j. Closeout of Construction Projects.

- (1) The total cost of a line item or general plant project or an operative unit within a project shall be closed to the completed P&CE accounts from the Construction Work in Progress account as close to the date of beneficial occupancy as possible, but generally not to exceed 6 months after each operative unit is placed in full service. Project management staff shall notify finance staff of beneficial occupancy of a facility. Each principal 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 shall be closed to the completed P&CE accounts on the basis of actual total cost incurred to date. 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, shall 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 shall be made. Insignificant costs that arise later may be written off through P&CE adjustments. Costs of individual elements closed during the year may be initially assigned to asset type Unclassified Plant and

acquisition at the time of **del very** to DOE. The lease shall be recorded at-the lower of the property's **fair** value or the computed present value of the minimum lease payments by a **nonfund** debit to the completed **P&CE** account and an offsetting **nonfund** credit to a liability account (Deferred Credits). The difference between the total lease payment 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 shall be applied to reduce the lease liability. To compute the amount allocated to interest expense, the same interest rate shall be applied to compute the present value of minimum lease payments. **Summary** Class Code 64, **P&CE** Acquisition from Capital Leases, shall be used for the **nonfund** asset write-on accounting entry.

- (6) For those capital leases funded from **P&CE** appropriations, the monthly cost accrual for the lease should be debited to budget and reporting program 35 or 39 as appropriate on a fund basis in the Construction Work in Progress account. At the same time, a **nonfund** adjusting entry should be made, crediting this same account using **summary** class code 64, and debiting the Deferred Credit account.
- (7) In instances where capital leases are funded from the operating expenses appropriations, debit the full monthly cost accrual for the lease to an operating expense program on a fund basis. At the same time, a **nonfund** adjusting entry shall be made, crediting the same operating expense program and debiting the liability account Deferred Credits for a proportionate share of the amount capitalized. In this situation, legal counsel shall ensure that the restriction on the use of operating appropriations for equipment purchases as stated in the Energy Reorganization Act of 1978, Public Law **95-238**, 2-2&78, section **III(b)(2)**, is not violated. Under section **III(b)(2)**, operating appropriations, pursuant to an authorization act, may not be used for any major item of equipment, including collateral equipment, if the estimated cost to DOE exceeds \$2,000,000, unless such item has been previously authorized by the appropriate committees of the House of Representatives and the Senate or the appropriate **committees** do not object to the purchase of the item under procedures outlined in section **III(b)(2)**.
- (8) **Capital equipment** acquired by capital lease shall be depreciated. Depreciation shall be computed and recorded based upon either the expected service life of the leased property or the term of the lease, as appropriate. The property shall be depreciated over its estimated service life if the criterion used to classify the lease as a capital lease was either of the following (in all other cases, the property shall be depreciated over the term of the lease):
 - (a) Ownership of the property is to be transferred to DOE by the end of the lease term, or
 - (b) The lease contains a bargain purchase option.

- f. **Equipment Acquired by Construction.** If an individual item of capital equipment related to a construction or fabrication activity is an integral part of that activity or is related to, designed for, or specially adapted to the functional or productive capacity of that activity, then the costs to purchase, fabricate, and install such an item shall be included in the cost of the activity.
- g. **Equipment Fabricated.** The costs of items fabricated in a contractor's shop or by scientific personnel in a laboratory shall be capitalized, and those costs shall be recorded in the Completed Plant and Equipment account. Actual costs may be used whenever possible, but an estimate approved by DOE management may be used when necessary.
- h. **Equipment Acquired by Transfer** (See DOE 2200.9B, MISCELLANEOUS ACCOUNTING, Chapter VII, "Transfers," for detailed instructions regarding the accounting for P&CE transfers between DOE offices, between DOE integrated contractors, and between DOE and other Federal agencies.)
1. **Plant and Equipment Acquired by Foreclosure Processes.** Property acquired by foreclosure processes shall be recognized at **its appraised** value. The difference between amounts due and costs incurred shall be recognized and assets recorded at the appraised value as a current period loss or gain.
- j. **Property Acquired by Other Means.** Property acquired by donation, devise, forfeiture, or confiscation shall **be** recorded at the estimated fair value plus any costs incurred to place the property in use.
- k. **Equipment Acquired for Research.**
- (1) The cost of property purchased or fabricated for use in research may be charged to operating expense if the property is not expected to have a service life of more than 2 years in essentially its original form, even though it may meet the monetary and physical criteria that would otherwise require it to be accounted for as a **P&CE** addition.
 - (2) The cost of altering and rearranging property used in research laboratories should be charged to operating expense.
1. **Capital Equipment Acquired Through an Interagency Agreement.**
- (1) 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. Interagency agreements are typically procurement instruments that are written to clearly specify goods to be furnished or work contemplated, reporting requirements, procurement and patent policy, and arrangements for transfer of funds. The Director of the Office of Procurement and Assistance Management, or designee, has the authority to execute interagency agreements obligating DOE funds.