



Department of Energy

Washington, DC 20585

April 16, 2004

MEMORANDUM FOR DISTRIBUTION

FROM:


DEAN G. OLSON, DIRECTOR
OFFICE OF FINANCIAL POLICY

SUBJECT:

Business Process Change for Inter-Entity Transactions

The implementation of Oracle Public Sector Financials software as the Department's new core financial system on October 1, 2004, will require a business process change in the way the Department finances and accounts for work performed by one DOE office or integrated contractor for another. The purpose of this memorandum is to notify you of the changes required and to ask for your feedback on the proposed approach.

Our current policy on accounting for transfers is set forth in the DOE Accounting Handbook, Chapter 12, "Transfers." On the basis of input from the I-MANAGE/STARS Project Team, my office has revised Chapter 12 to describe how work performed by one DOE office or integrated contractor for another will be accounted for in Oracle. An updated draft of Chapter 12, now entitled "Inter-Entity Transactions," is attached for your review. Because the proposed changes will impact both accounting and funds control activities, I would appreciate a review from both an accounting and funds control perspective.

I recognize your office is engaged in many important activities and apologize in advance for the additional burden imposed by this request. If possible, however, we would like to receive your response by May 14, 2004. A negative response is also requested.

Attachment



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CHAPTER 12

INTER-ENTITY TRANSACTIONS

1. INTRODUCTION

- a. **Purpose.** This chapter describes the general principles governing accounting activities between DOE offices, between integrated contractors, between DOE and its integrated contractors, and to and from Other Federal Agencies (OFAs), and establishes the principles and procedures of financing and accounting for costs of work performed by one DOE office or integrated contractor for another. Specific accounts to be used for transfers are further identified in the Standard General Ledger Chart of Accounts and Related Codes.
- b. **Applicability.** The provisions of this chapter apply to all Departmental elements (referred to hereafter as “offices”) and to all DOE integrated contractors (referred to hereafter as “contractors”).
- c. **General.** All inter-entity activity shall be authorized in advance by the respective organizations concerned with the transactions to enable management to plan effectively and administer programs within available funds and under established cost ceilings. Authorizations are made specifically to cover the scope of the work, cost limitations, budget and reporting classification chargeable, and the method of financing. It is the responsibility of the organization (office or contractor) performing the work not to exceed the amount provided in the transfer authorization. If a contractor is performing the work and an overrun appears likely, it is the contractor’s responsibility to inform its performing office of any possible overrun to ensure the authorization is modified accordingly to prevent any overrun from occurring.
- d. **Policy.**
 - (1) The DOE offices and the contractors processing the inter-entity activity shall account for the activity in accordance with criteria contained in this chapter.
 - (2) Performance of work involving inter-entity activity must be based on proper authority prior to the initiation of work.
 - (3) The respective offices issuing and receiving the inter-entity activity documents shall be responsible for researching and correcting any monthly I-MANAGE/STARS differences caused by the inter-entity activity.

- 2. INTER-ENTITY WORK.** Work between one DOE contractor and another DOE contractor is to be handled through changes in the Approved Funding Program or by the Interoffice Work Order (IWO) or Memorandum Purchase Order (MPO) processes described below. For all work, the performing contractor shall enter the Other Party Identification (OPI) Code of the authorizing contractor. For work between DOE offices or between a DOE office and contractor, the activity will be handled through changes in the AFP or by the same process as IWOs regardless of the dollar value.
- a. Change in Approved Funding Program (AFP). Changing the AFP is the preferred method for executing inter-entity changes in mission and funding.** When the Departmental element with programmatic responsibility determines that work and funding are to be transferred from one office to another, the Departmental element shall submit the proposed AFP to the Office of Budget. Once the Office of Budget approves the AFP change and issues the related HQ F 2260.2, "Advice of Allotment," the performing office has the programmatic and obligational authority to incur costs and pay bills. Detailed AFP procedures are described in DOE M 135.1-1, Budget Execution Manual.
 - b. For Work of \$250,000 or More.** Offices will use the IWO process when one DOE contractor performs work of \$250,000 or more for another contractor and/or office and changing the AFP is not practical. If the initial authorization is less than \$250,000 but it is believed the entire effort will exceed \$250,000, the IWO process shall be used.
 - (1)** At the beginning of each month, offices must record a credit obligation in the general ledger (in some cases through the local funds control system) for the amount of IWO activity they expect to obligate during the month. The credit obligation is recorded under a unique fund type established exclusively for IWO activity. The credit obligation is recorded to the I-MANAGE/STARS equivalent of the former Budget and Reporting (B&R) Category YN1902000.
 - (2)** The authorizing contractor prepares an IWO identifying the performing contractor and its OPI Code, assigns it a unique IWO number, and includes complete billing information (see Attachment 12-1). The authorizing contractor forwards it to the performing office for acceptance, approval, and transmittal to the performing contractor. The IWO should be received by the performing office no later than the 15th of the month to allow sufficient time to complete the acceptance process and be included in the contractor's financial plan.
 - (3)** The obligation coordinator for the performing office obligates funds under the unique IWO fund type to the performing contractor's contract under

B&R YN 1901000. The obligation will be recorded under the unique IWO fund type and unique IWO number. The OPI Code will be recorded in the I-MANAGE/STARS descriptive flex field for the entry. This document provides obligational authority to the performing contractor, and once funds have been obligated, the obligation coordinator signs the IWO and transmits it to the performing contractor.

- (4) Upon receipt of the performing office-approved IWO, the performing contractor incurs costs against the unique IWO number, makes payments, and issues invoices (against the unique IWO number) monthly to the authorizing contractor. As it processes and pays the invoices, the authorizing contractor records costs against its program obligation. For work between DOE offices, the Energy Finance and Accounting Service Center will record the billing and collection entries in the same time period without the physical movement of cash.
 - (5) Upon completion of the work and issuance of the final invoice, the performing contractor notifies the performing field office of any remaining balances following issuance of the final invoice. The performing field office records a decrease to its fund availability and reduces the obligational authority of the performing contractor through a contract modification to B&R YN 1901000.
 - (6) Any modifications made to existing IWOs must be documented and recorded through an amendment to the IWO by the performing field office. If the amendment reduces the total of the work order to less than \$250,000, the effort should continue to be handled using the same method.
 - (7) At the end of each month, as a part of the closing process, each office must adjust the credit obligation recorded in 2.b.1 to equal the total IWO obligations recorded during the month by recording an adjusting entry into the I-MANAGE/STARS general ledger (in some cases through the local funds control system).
- c. For Work Under \$250,000.** For contractors, the accounting for work under \$250,000 will be the same as work for \$250,000 or more with the exception of obligating and reporting against a unique IWO number. For this type of activity, a generic order number will be established for work performed for each site. For DOE offices performing work for another DOE office or contractor, the process will be the same as 2.b. above.
- (1) The credit obligation recorded in 2.b.1 will also include an estimate of work between contractors valued at less than \$250,000 per order.

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- (2) Each month, the performing contractor estimates the amount of work to be performed for all sites on orders less than \$250,000, and provides this information to their DOE office. The obligation coordinator for the performing office obligates funds under the unique IWO fund type to the performing contractor's contract under B&R YN 1901000. The obligation will be recorded under the unique IWO fund type and generic order number for the specific authorizing site. The OPI code will be recorded in the I-MANAGE/STARS descriptive flex field for the entry.
- (3) The authorizing contractor completes a Memorandum Purchase Order (MPO). The MPO should include, at a minimum, a MPO number that is unique to the performing entity, the terms and conditions, a not-to-exceed amount, and a brief statement of work. Once completed, the MPO is forwarded to the performing contractor for acceptance. After accepting the MPO, the performing contractor initiates the work.
- (4) The performing contractor incurs costs against the generic site specific order number, makes payments, and issues invoices (against the generic order number) monthly to the authorizing contractor. As it processes and pays the invoices, the authorizing contractor records costs against its program obligation.
- (5) The month-end adjustment noted above in 2.b.(7) will also include obligations for work under \$250,000.

3. PROPERTY TRANSFERS are transfers of plant and equipment, accumulated depreciation, and construction work in progress. Property transfer procedures are established to account for and control assets purchased through expenditure of appropriated funds and transferred between DOE offices and contractors as well as between DOE and other Federal agencies. DOE F 2240.7, "Transfer Voucher," shall show the acquisition cost, the accumulated depreciation, the date of original purchase, and any other pertinent data.

a. Transfers Between DOE Offices and Contractors are made between DOE offices and contractors as a result of changes in responsibility for administering items of property, such as the plant and equipment included in contract transfers. Usually, an administrative transfer is made without physical relocation of the property.

- (1) **Completed Plant and Capital Equipment.** The finance office shall transfer Completed Plant and Capital Equipment based on the acquisition cost less the accumulated depreciation.

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- (a) The transferring finance office shall credit Completed Plant and Capital Equipment for the acquisition cost and debit Accumulated Depreciation for the amount of depreciation accumulated and debit Financing Sources Transferred Out for the net book cost.
 - (b) The receiving finance office shall debit Completed Plant and Capital Equipment and credit Accumulated Depreciation and Financing Sources Transferred In based on the transfer voucher.
 - (2) **Construction Work in Progress.** The finance office shall transfer Construction Work in Progress based on costs accumulated for a particular construction project.
 - (a) The transferring finance office shall credit Construction Work in Progress and shall debit Financing Sources Transferred Out for the costs to be transferred.
 - (b) The receiving finance office shall debit Construction Work in Progress and shall credit Financing Sources Transferred In based on the transfer voucher.
- b. **Transfers To and From Other Federal Agencies** occur when an agency assumes responsibility for an item of completed plant or capital equipment under terms mutually agreed upon by the agencies involved. No transfer voucher shall be issued for these transfers.
 - (1) **Transfers of Completed Plant and Capital Equipment to Other Federal Agencies** The finance office shall record transfers of Completed Plant and Capital Equipment to OFAs by crediting Completed Plant and Capital Equipment for the acquisition cost and debiting Accumulated Depreciation for the amount accumulated and Other Expenses Not Requiring Budgetary Resources for the net book cost.
 - (2) **Transfers of Completed Plant and Capital Equipment from Other Federal Agencies** shall be recorded by debiting Completed Plant and Capital Equipment for the acquisition cost and crediting Accumulated Depreciation for the amount (estimated if unknown) accumulated and Other Financing Sources for the net book cost based on the transfer documents.

4. TRANSFER OF CONTRACTUAL DOCUMENTS BETWEEN OFFICES.

Organizational or mission responsibility changes may require the transfer of contractual documents between offices. The transferring accounting office shall transfer contracts only after changes to the AFP and transfer of accounting records have been completed. The program office shall not initiate transfer of contracts to become effective 45 days or less before the end of the fiscal year or 45 days or less after the end of the fiscal year, unless all activities involved concur in the transfer. No contracts shall be transferred that are within 90 days of being closed out.

a. Headquarters Program Offices or Field Program Offices initiating a transfer of contract shall perform the following functions:

- (1)** Receive written concurrence from the receiving program office; submit a request for the contract transfer, in the form of DOE F 4200.33, "Procurement Request-Authorization," to the appropriate procurement office; and prepare the necessary AFP change. The procurement request-authorization shall be the official document from the program office authorizing the transferring procurement office to effect the transfer. The program office shall prepare a request for a contract transfer in advance to ensure that actions are completed prior to the effective date of the contract transfer. Field organization program offices shall forward the AFP request to the appropriate Headquarters program office for approval. Upon approval, the Headquarters program office shall submit the AFP change with its regular AFP input to the Office of Budget. DOE M 135.1-1, Budget Execution Manual, contains the procedures and format to use when effecting a change to the AFPs.
- (2)** Provide written notification of the impending transfer to the receiving program office, and provide copies to the transferring and receiving accounting offices at the time the request for contract transfer is prepared.
- (3)** Coordinate the cutoff date with the transferring accounting office and the receiving procurement office to allow sufficient time for the effective date.
- (4)** Ensure that the program office initiates no transfers to be effective 45 days or less before the end of the fiscal year or 45 days or less after the end of the fiscal year, unless concurrence has been received from all affected elements.

b. Transferring Procurement Office shall perform the following functions:

- (1)** Coordinate and formally advise the transferring and receiving program, budget, and accounting offices of the contract transfer.

- (2) Establish an effective date for the transfer, in coordination with the transferring and receiving program, budget, and accounting offices.
 - (3) Establish a cutoff date for processing invoices, in coordination with the transferring accounting office.
 - (4) Ensure that the contractor is aware of the impending transfer and is notified of the date on which it is to begin submitting invoices to the receiving procurement office.
 - (5) Ensure that no contracts are transferred that are within 90 days of being closed out.
 - (6) Ensure that the contract numbers are not changed.
 - (7) Complete and enter into the Procurement Assistance Data System data base appropriate documentation to indicate the transfer and specify the receiving procurement office to effect the transfer.
 - (8) Transfer contract files on Standard Form 30, "Amendment of Solicitation/Modification of Contract," to the receiving procurement office after ensuring that all pertinent materials (such as contractual documents, technical reports, and correspondence) have been included in the files.
- c. **The Office of Budget** shall, upon receipt of the request for an AFP change during the regular monthly AFP cycle, input the required adjustment to coincide with the effective date of the transfer and issue revised AFPs and allotments.
- d. **Transferring Accounting Office** shall perform the following functions:
- (1) Arrange with the receiving accounting office for the transfer of the accounting records.
 - (2) Ensure that all prior obligations, unliquidated obligations, and disbursement adjustments coincide with the AFP change and the effective date of the transfer.
 - (3) Initiate action to ensure that the transfer of accounting records is accomplished within the same month as the effective date of the contract transfer.

- b. Preparation of the Transfer Voucher.** The transferring organization shall prepare and issue transfer vouchers for the movement of material and property. When fabrication work is performed, the costs shall not be transferred until the fabricated product is shipped to the receiving organization, unless special arrangements are made between the two organizations. In preparing the transfer voucher, the transferring organization shall complete all applicable sections. The transfer voucher or an attached supplement shall show complete information concerning the items being transferred and shall include a reference to the transfer authorization to enable the organization receiving the transfer to identify and distribute the charges. The performing organization shall furnish copies of source documents, when available, along with the transfer voucher to the organization receiving the transfer. To ensure a mutual understanding, each transfer voucher shall show the appropriate type of transfer in a conspicuous manner as part of the description, as follows:
- (1) Administrative transfers (fund types 51 and 57 only);
 - (2) Excess equipment for disposal (fund types 51 and 57 only);
 - (3) Other excess plant and capital equipment transfers;
 - (4) Funded inventories transfers; or
 - (5) Nonfund cost transfers (fund types 51 and 57 only).
- c. Cutoff Dates.** The transferring organization shall not issue transfer vouchers for a given month on an inter-organizational basis after the 15th calendar day of the month. The cutoff date for the ending month of the fiscal year is prescribed in the fiscal yearend closing instructions issued by the Chief Financial Officer. If there are significant amounts that cannot be transferred formally by the prescribed date, the organization furnishing the services or materials shall advise the receiving organization by telephone, facsimile, e-mail, or other means soon enough for such amounts to be accrued.
- d. Numbering of Transfer Vouchers.** The transferring organization shall assign each transfer voucher a number identifying it with the organization performing the work or service and the organization receiving the transfer voucher. Under this system of assigning transfer voucher numbers, each shall contain 12 letters and numbers, for example, transfer voucher 801-ID9-OR9-O32.
- (1) The first set of three characters shall indicate the fiscal year (for example, 8 for fiscal year 1998) and the calendar month (for example, 01 for

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January, 07 for July) in which the performing organization (ID9) recorded the transfer in the accounting records.

- (2) The second set of three characters shall be the organization code as defined in the Standard General Ledger Chart of Accounts and Related Codes and reporting unit of the performing organization.
 - (3) The next three characters shall be the organization code as defined in the Standard General Ledger Chart of Accounts and Related Codes and reporting unit of the organization receiving the transfer voucher.
 - (4) The last set of three characters shall indicate the serial number of the voucher issued by the transferring organization to that particular receiving organization. (In the example above, it is the 32nd voucher issued by the Idaho transferring organization to the Oak Ridge receiving organization in fiscal year 1998.)
- e. Reconciliation of DOE Transfer Accounts.** Each organization shall adhere to the following rules, as well as to the procedures prescribed in paragraph 5b, for preparing and forwarding transfer vouchers to facilitate keeping the DOE transfer accounts in agreement:
- (1) The transferring organization shall review its transfer activity to ensure that all charges or credits to Transfers Issued have been covered by transfer vouchers and that all vouchers issued represent items entered in Transfers Issued.
 - (2) Offices shall resolve and correct differences in the same month. Each office shall review the monthly reconciliation of transfers, which the Energy Finance and Accounting Service Center will provide on a cumulative transaction basis in summary form, and initiate any necessary corrective action. Offices shall take care of corrections, including out-of-balance problems, during the following month except at the end of each quarter, when they shall be made on a timely basis as business of that month. Telephone, facsimile, or e-mail confirmations should be used.
 - (3) If any transferred items are inadequately supported by documentation or are improper, the organization receiving the transfer voucher still shall record the transfer voucher in Transfers Received, but the offsetting entry shall be to a suspense account, except at the end of the fiscal year. The organization receiving the transfer voucher then shall ask the office that prepared the transfer voucher to furnish additional information or a correcting transfer voucher, as the situation may require.

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- f. Confirmation of Transfers.** Each organization preparing transfer vouchers shall confirm all transfers made during the final month of the fiscal year with the organization receiving the transfer voucher as soon as possible, but no later than the 5th workday after the end of the fiscal year. Additional confirmation requirements, such as a transfer confirmation document, may be set forth in the annual yearend requirements memorandum.