



## Department of Energy

Washington, DC 20585

OCT 18 2004

### MEMORANDUM FOR DISTRIBUTION

FROM: SUSAN J. GRANT  
DIRECTOR, OFFICE OF MANAGEMENT, BUDGET AND  
EVALUATION/CHIEF FINANCIAL OFFICER

SUBJECT: Call for Fiscal Year 2004 Support Cost by Functional Activity

This memorandum and attachment provide guidance for reporting FY 2004 support cost by functional activity (SCFA). The Office of Management, Budget and Evaluation collects support costs from 28 of our largest contractors, classified into 22 functional activities, to enable the Department to identify and analyze the cost of supporting mission programs at each site. This information also promotes a better understanding of support costs and reveals the magnitude and trends underlying specific activities.

The Department continues to implement the Government Accountability Office (GAO) recommendation to collect information on successful cost saving initiatives. The GAO has expressed great interest in the Department's management of support costs and has accepted the SCFA system to be an effective method for monitoring indirect costs at its sites. Recently GAO requested examples where cost saving initiatives were adopted across sites. We will be publishing the full text of cost saving submissions at our website (<http://www.cfo.doe.gov/progliaison/index.htm>); and I urge you to review these initiatives for any that could be applied to your site. In recognition of the GAO's latest request, please include in your response any cost saving initiatives adopted by your organizations from those previously reported by another site, as well as those initiatives which originated at your sites.

Specific details regarding submission of support cost data are included in the attachment. We are revising the SCFA system to automate and standardize site profiles. Input screens will be expanded to accept text in the database. This will reduce the time, effort, and expense necessary to produce the Congressional report. User logon ID's, passwords, and all system revisions will be provided to each Federal contact in November. Your electronic submission should be complete by December 15, 2004. A certified hard copy should be submitted to the Office of Program Liaison and Financial Analysis (ME-100, GTN) by December 22, 2004.

Questions regarding this reporting requirement should be directed to John Newell at (301) 903-2551.

Attachment



Printed with soy ink on recycled paper

## **DISTRIBUTION**

### **Field Chief Financial Officers**

Chief Financial Officer, Chicago Operations Office  
Finance Team Leader, Golden Field Office  
Chief Financial Officer, Idaho Operations Office  
Chief Financial Officer, National Energy Technology Laboratory  
Chief Financial Officer, Ohio Field Office  
Chief Financial Officer, Oak Ridge Operations Office  
Chief Financial Officer, Pittsburgh Naval Reactors Office  
Assistant Manager, Administration, Richland Operations Office  
Chief Financial Officer, Schenectady Naval Reactors Office  
Director, Planning and Financial Management Division/Strategic Petroleum  
Reserve Project Management Office  
Chief Financial Officer, Savannah River Operations Office

### **cc:**

Director, Office of Field Financial Management, NNSA  
Financial Management Systems Improvement Council  
Jim Campbell, DOE HQ, ME-2  
Dean Olson, DOE HQ, ME-11  
Tom Baranouskas, Battelle Pacific Northwest Lab  
Jim Herring, Los Alamos National Lab  
Nancy Fitchpatrick, DOE Oak Ridge  
Mike Bartos, Argonne National Lab  
Bruce Chrisman, Fermi National Accelerator Lab  
Brian Sack, Brookhaven National Lab  
Ron Ragland, BWXT Y-12 L.L.C.  
Paul Rosenkoetter, Idaho National Engineering & Environmental Lab  
Bonnie Apodaca, Sandia National Lab  
Dan Becker, Westinghouse Savannah River Company  
Paul Keele, DOE ID  
Brian Morishita, Idaho National Engineering & Environmental Lab  
Lee Elster, Lawrence Livermore National Lab

### **bcc:**

Bob Meyers, NNSA AL  
Cort McCammon, ID  
Jim Crytzer, OR  
Lisa Maul, OH  
Lance Schlag, RF  
Thomas Fekete, SR  
Tim Rea, Golden  
Martin Straka, CH  
Kay Mamiya, RL  
Sharon Weiss, SPRO  
Michael Cunningham, PNR/SNR

## **Department of Energy**

### **Support Cost by Functional Activity Report Guidance**

#### **I. GENERAL**

This attachment provides overall guidance for preparation of the Support Cost by Functional Activity Report, including procedures for submitting and certifying the data. Field offices are responsible for the quality of the data, including support cost categories, site profiles and cost-saving initiatives.

#### **Sites Required to Report**

Support costs are to be reported by all contractors as specified in this attachment (Exhibit 1). Reported costs should reflect the total site and incorporate all prime subcontractors.

#### **Report Certification**

A certification (Exhibit 2) must be signed and submitted from each responsible Field CFO. The certification is to ensure that the support cost categories, site profiles and cost saving initiatives are accurate.

#### **Reporting of Support Cost and Mission Specific Cost**

For purposes of determining functional cost, contractors will classify their cost as either mission specific or as support cost. Mission Specific costs are classified in two categories: Capital/Construction and Mission Specific Operating. Support costs are classified as 22 Functional Support cost elements grouped under three categories: General, Mission, and Site Specific. Classification of cost shall be determined without regard to funding source, or classification as direct or indirect cost. In addition, costs are reported on a prime basis, rather than fully distributed cost. Do not report fully loaded costs for either mission direct or support areas. Since most accounting systems lose the identity of distributed cost, it is essential to classify the cost in the defined categories prior to distributions.

Report FY 2004 actual costs by functional support cost element for each of the major categories using the exact structure and formats provided in the Functional Cost Web Page (<https://scfa.doe.gov>).

Functional support costs should be identified as much as possible using the contractors' existing accounting systems and overlaying financial structure. This structure may be organization, work breakdown structure, cost type, or a combination. In any case, reported costs need to be traceable (through mapping) to the accounting records, either directly or by using standard reconciliation methods, and reconcilable to the total site costs shown in the Management Analysis Reporting System (MARS).

Costs are reported by functional classification regardless of fund source. For example, costs for Environmental Support and for Maintenance are reported in the respective functional support element and are not included in the mission direct category. Therefore, Mission Direct costs for the environmental program do not include costs for environmental support, maintenance, etc. Many direct funded activities may be classified in a "support" cost category rather than as "mission direct" cost.

Reported data should also be based on gross costs; miscellaneous cash reimbursements or other collections should be ignored.

When reporting costs, please note that payroll taxes and benefits will follow labor dollars. Materials, travel, etc., should be reported in the functional support element that consumes the resource, and prime capital and construction costs will be reported as a separate category.

The contractors actually performing the work will report costs incurred for work performed between other field offices and DOE contractors. This includes work between contractors at a site and reimbursable inter-contractor work orders.

Functional support costs that are normally paid by a contractor, but that are actually being paid by a field office, are to be included in the report in the appropriate category(s).

### **Service Centers**

Service Centers pose unique problems in reporting functional support costs because of their characteristics. There is no single best way to report them. Given that a consistent approach needs to be taken, please report all Service Center costs within the functional support element to which they most directly relate (even though many of these costs are subsequently charged directly to a program). Service center costs that do not fit one of the other 22 elements should be included in Laboratory/Technical Support.

### **Taxes**

In the past, the amount reported for Taxes was significantly less than the true amount of our tax expenditure, and it was necessary to revise your submissions. We understand that Sales and Use taxes are spread through all cost categories and separating them for reclassification to the Taxes category might be a draconian task. Given increased outside interest in this category, please continue to review the amounts you have identified as taxes. If these amounts are not up to at least a 90-percent accuracy level, then it is assumed some taxes are being reflected in functional cost categories other than taxes and you are asked to do the following:

1. Non-Sales/Use Taxes: For all taxes *except* for sales and use taxes, provide, as a part of your site profile, an amount for all other taxes for each year that is at least at the 90-percent level of accuracy for these non-sales/use taxes. Furthermore, because the effect on total functional support costs should be zero, if you do have any of this type of tax included outside the tax category, it will be necessary to reduce some other categories by the same amount as that reclassified to taxes. Therefore, as a part of your site profile, provide the amounts by category, which must be reduced so that the net adjustment will equal zero. The HQ CFO will enter any prior-year adjustments.

2. Sales and Use taxes: Please make a rough estimate of the total site amount of Sales and Use tax that was not previously reflected in the tax category. Provide this information as a part of your site profile. We will not adjust the various categories for these Sales and Use tax amounts.

For FY 2004, please ensure that the tax line includes all non-sales/use taxes and that your site profile includes a rough estimate of total site sales/use tax. As with all the functional support cost categories, please be sure to fully explain, as a part of your site profile, any significant changes in the tax category.

### **Data Collection**

The FY 2004 functional cost data will again be collected through a web-based input form. The current link is <https://scfa.doe.gov>

Richard Heller (301-903-4422) will control access to log on to the system at each site. A login ID and password will be provided to each field site contact from the FY 2003 report. Additional IDs can be made available upon request.

Also, unless otherwise requested, please submit your site profile via e-mail to [Richard.Heller@hq.doe.gov](mailto:Richard.Heller@hq.doe.gov).

Your electronic submission is to be completed by December 15, 2004. A certified hard copy is to be submitted to the Office of Program Liaison and Financial Analysis (ME-100, GTN) by December 22, 2004. Technical questions and final submissions should be directed to Richard Heller at (301) 903-4422 or Ben Chatterson (301) 903-4184.

### **Peer Reviews**

Peer reviews were designed by the Financial Management Systems Improvement Council (FMSIC) to enlist contractors from several DOE locations to review the functional cost methodology at another DOE site and verify that the data has been collected consistent with our established guidelines and definitions.

The GAO has questioned the Department regarding the fact that we have not gone out to all contractors and performed detailed reviews of their functional cost data. Our response has been that peer reviews are conducted within the Department and this provides us with an adequate comfort level that the data is being reviewed for accuracy, completeness, and consistency across the 28 sites that submit functional cost data.

The Department expects full cooperation regarding participation in peer reviews and strongly supports FMSIC in their efforts to schedule and monitor functional support cost peer reviews as outlined to the GAO.

## II. INSTRUCTIONS FOR SITE PROFILE

The purpose of the site profile is to assist in HQ understanding of the submissions and to help with the defense of department-wide total functional support costs before Congress. The site profile should be as succinct as possible (preferably not more than two pages) and should be understandable by a reader relatively unfamiliar with your site. More specific guidance for the site profiles is provided below. Note that the following format is considered a minimum for the site profile, but that additional information may be provided.

**Background** - In this section, provide a very brief description of the mission of the site and the physical characteristics of the site (such as size in square miles, approximate number of buildings, size of the workforce, etc.). This section may either be textual or a list of bullets. An example follows:

Some of the factors affecting the X site's functional cost profile include:

- The X site is a multi-program laboratory with a diverse customer base (DP, EE, EH, ER, FE, FM, NN, RW, Work for Others).
- The X site occupies 450 square miles with the associated logistics/infrastructure.
- There are five major site-operating complexes. Approximately 2,000 people work at each location.

Examples of operational mission include:

- Environmental – clean-up legacy environmental problems. Life cycle (estimated at 50 to 70 years) waste cleanup activities which include: transuranic - 50,000 cu/m, low level - 120,000 cu/m, high-level - 20,000 cu/m
- Research and Development - examples are bioprocessing, chemical separation, materials science, sensors, etc.
- Manufacturing

**Trends** - Provide an explanation of:

1. The trend in total Functional Support Costs from FY 2000 to FY 2004.
2. The trend in total Functional Support Costs as a percentage of total site costs from FY 2000 to FY 2004.
3. Major anomalies in the year-to-year data for any of the categories.
4. Major cost drivers that may cause a site's costs to appear out of line with similar sites.

For each of these explanations:

- (a) Always include in the text the dollar amount of the change or item being explained.
- (b) If a revision results in changing cost between categories, show the dollar amount of change for both the gaining and losing category.

### **Other Category**

Provide a table, with brief explanatory footnotes, itemizing the amount in the "Other" category.

**Cost Saving Initiatives** (Required data)

Describe major cost savings initiatives that have been undertaken to reduce support cost. Be sure to include only those initiatives that reduced cost in FY 2004. This information should be sufficient for a reader to fully understand the scope and magnitude of the initiative and the activities impacted. In addition, your response should be adequate to assess the possibility of migrating the initiative to other DOE sites.

Information may also be presented in the form of a chart to demonstrate the impact on current and/or future savings. For example:

During FY 2003, XYZ Site entered into a 3-year agreement with Fly Away Travel Agency to obtain a 15 percent discount on travel arrangements made through its agency. During FY 2003, XYZ achieved net savings of \$500,000. Savings in FY 2003 were reduced by an investment of \$10,000 in software necessary to develop travel itineraries compatible with Fly Away Travel Agency's travel system.

	<b><u>2004</u></b>
Savings	\$510,000
Investment	10,000
Net Savings	\$500,000

The GAO would like evidence that the Department is adequately promoting cost saving initiatives throughout all contributing locations. If you have an instance of utilizing a cost saving initiative included in an earlier Support Cost by Functional Activity report, please include the name, amount of savings realized, and SCFA Report (FY) in this section.

## SUPPORT COST BY FUNCTIONAL ACTIVITY

### SUBMITTING LOCATIONS

Ames Laboratory  
 Argonne National Laboratory  
 Bettis Atomic Power Laboratory (PNR)  
 Brookhaven National Laboratory  
 Fermi National Accelerator Laboratory  
 Hanford Site

Idaho National Engineering and Environmental Lab  
 Kansas City Plant  
 Knolls Atomic Power Laboratory (SNR)  
 Lawrence Berkeley National Laboratory  
 Lawrence Livermore National Laboratory  
 Los Alamos National Laboratory  
 National Renewable Energy Lab  
 Nevada Test Site  
 Oak Ridge Environmental Management  
     Enrichment Facility  
 Oak Ridge National Laboratory  
 Pacific Northwest National Laboratory  
 Pantex Plant  
 Princeton Plasma Physics Laboratory  
 Rocky Flats Plant  
 Sandia National Laboratories  
 Savannah River Site

Strategic Petroleum Reserve  
 Stanford Linear Accelerator  
 Waste Isolation Pilot Plant  
 West Valley Demonstration Project  
 Yucca Mountain  
 Y-12 Plant

TOTAL OF 28 SUBMISSIONS

### MAJOR SITE CONTRACTORS

Iowa State University  
 University of Chicago  
 Bechtel  
 Brookhaven Science Associates  
 University Research Associates  
 Fluor-Daniel  
 Bechtel Hanford Incorporated  
 CH2M Hill  
 Bechtel BWXT Idaho LLC  
 Honeywell, FM&T  
 Lockheed Martin - KAPL  
 University of California  
 University of California  
 University of California  
 Midwest Research Institute  
 Bechtel Nevada

Bethel Jacobs  
 UT-Battelle, LLC  
 Battelle Memorial Institute  
 BWXT  
 Princeton University  
 Kaiser Hill  
 Lockheed Martin Sandia Corp  
 Westinghouse Electrical Corp.  
 Wachenhut Services, Inc.  
 Dyn McDermott Petroleum  
 Stanford University  
 Westinghouse Electric Corp.  
 West Valley Nuclear Services  
 Bechtel-SAIC  
 BWXT



Exhibit 2

## **FY 2004 Support Cost by Functional Activity Submission**

### **Sites:**

My staff and/or I have reviewed our final Support Cost by Functional Activity submission for the sites noted above and as entered and displayed on the DOE Web Page (<https://scfa.doe.gov/>).

We believe this accurately reflects our current support cost trends, within the attached "Limitations of Support Cost." In addition, we believe the cost saving initiatives and the claimed dollar savings to be accurate.

---

Field CFO Signature

---

Date

Please return this signed response to:  
Richard Heller, ME-100, Germantown (301-903-4422).  
Signed copies may be faxed to 301-903-2550. Thank you.